THE EFFECTIVENESS OF THE ECONOMIC DEVELOPMENT PROGRAMS AND TRANSPORTATION AND INFRASTRUCTURE NEEDS

(102-16)

HEARING

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

OF THE

COMMITTEE ON

PUBLIC WORKS AND TRANSPORTATION

HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

JUNE 3, 1991, AT BEAVER FALLS, PA

Printed for the use of the
Committee on Public Works and Transportation

U.S. GOVERNMENT PRINTING OFFICE
46-755 WASHINGTON : 1991

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-036841-3

H641-51

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THE EFFECTIVENESS OF THE ECONOMIC DEVELOPMENT PROGRAMS AND TRANSPORTATION AND INFRASTRUCTURE NEEDS

MONDAY, JUNE 3, 1991

House of Representatives,
Subcommittee on Economic Development,
Committee on Public Works and Transportation,
Beaver Falls, PA.

The subcommittee met, pursuant to call, at 9:00 a.m., at the McCartney Library, Geneva College, Beaver Falls, Pennsylvania, Hon. Joe Kolter [Chairman of the Subcommittee] presiding.

Present: Representatives Kolter, Roe, Oberstar, Applegate, Rahall, DeLauro, Hammerschmidt, Bentley and Borski.

Mr. Kolter. This hearing on the Subcommittee on Economic Development will now come to order.

Ladies and gentlemen, one of the first things we learned as members of Congress is to be ready for change, and that is what happened several months ago when we decided to have a hearing here. We were told there would be no votes today. However, last Thursday, a decision was made that we are going to be called in for votes at 4:00. So instead of concluding our business today at 4:00 p.m., we will conclude precisely at 2:00, so that we may, in fact, get back to the Greater Pittsburgh Airport, fly to Washington and participate in the 4:00 vote. So with that thought in mind, we will move things right along today.

At this time, I want to say that I am so delighted to come back here to the campus of my alma mater, Geneva College. I just want to take this time to thank Dr. Joe McFarland, the President of the college, and the college itself for permitting us to be here. At this time, the Chair wishes to recognize Dr. McFarland.

WELCOMING BY DR. JOE McFARLAND, PRESIDENT OF GENEVA COLLEGE

Dr. McFarland. Thank you, Congressman Kolter and Members of the Committee. I just want to take a brief moment in order to formally welcome you to the campus of Geneva College. We are pleased so many members of the Committee are able to be here in order to see the facility here and be exposed to one of the private colleges here in western Pennsylvania.

I know you have had an opportunity to receive some material, so I am not going to elaborate long on Geneva College and its background, other than to point out to you that the motto on our seal is "pro Christo y patria," and I expect all of you remember your

Latin well enough to know that that means "for Christ and country." It just so happens that here on the campus today, we are having the synod—two synods of a couple of the denominations affiliated with the college meeting, as well as this Congressional hearing, so we are getting both Christ and country here on the campus at the same time.

I did want to share with you one incident about your Chairman. Joe and I have played some golf together, and I want you to know that unbeknownst to most of the rest of you, Congressman Kolter has some strong Republican tendencies that you probably have never seen revealed before. Some of you would recall that a few years ago, we had a President of the United States who was well known for hitting errant golf balls and sometimes striking other people on the golf course. I want you to know, I played a game with Joe, and he not only takes on the gallery, he takes on his partners. And I have still got a black-and-blue spot on my leg. I debated whether to sue or to wait for a good chance to tell this story, and I decided this was a better way to do it.

But, I do want to present to Joe in memory of his return to the campus a gift which, Joe, you will recognize, I think, as book marks that contain on it inscribed a picture of old Main. Welcome back.

Mr. KOLTER. Thank you very much, Dr. McFarland. Thank you very kindly.

It is nice to be here, Dr. Joe, and we thank you most sincerely for all the courtesies you have extended to me and to my Committee.

At this time, I would like to introduce the members of our Committee. To my far right, we have from Steubenville, Ohio Doug Applegate. To Doug's left, the Chairman of the full Committee, our esteemed Chairman from New Jersey, Bob Roe. To my immediate left, a tremendous individual from Baltimore County in Maryland, Congresswoman Helen Bentley. Next to Mrs. Bentley we have the ranking Republican on the full Committee, John Paul Hammerschmidt of Arkansas. My colleague from Philadelphia, Pennsylvania, Bob Borski, who chairs the I&O Committee. And last but not least, we have a freshman here, Rosa DeLauro from Connecticut.

So, this is our team here. There are other members coming, I believe. Two or three more will be here shortly. I believe Mr. Rahall from West Virginia will be here and Jim Oberstar from Minnesota should be here. Congressman Oberstar chairs the Aviation Subcommittee.

Is Rick Geist here? Secretary Yerusalim, we have a bit of a problem here. Mr. Geist has to be back in Harrisburg by 1:00. He has to vote today. He is driving to Harrisburg, so we decided to put him on first so that he can give his testimony, and then start driving toward Harrisburg. So, with your permission, we will just have Rick come up and testify. Mr. Geist. Would you just join Mr. Yerusalim at the table here?

TESTIMONY OF HON. RICHARD A. GEIST, PENNSYLVANIA STATE REPRESENTATIVE, ALTOONA, PA

Mr. **Geist**. Thank you. Congressman Kolter and members of your Committee, Bob Casey of the High Speed Rail Association will be submitting our formal remarks. I just want to tell you how glad we are to have you in western Pennsylvania and how glad we are to have you in Congress.

As a point of interest for the Committee, Joe and I go back many, many years to when I came into the House with Dick Thornburg and the Thornburg administration. At that time, we became very interested in high-speed rail, due to the work that was being done in the State of Ohio, and agreed that the only solution for the State of Pennsylvania—western Pennsylvania, was to go from the 30th Street station in Philadelphia on to Chicago. And we started working on the study phase of that. We worked on the legislation that created the compact States. And when Joe got to Congress, he also authored a bill that legalized and legitimized the compact States. And it has just been a pleasure for me to have a friendship with Joe as a visionary in transportation—not only highways and airplanes, but also in high-speed rail.

And when we started the high-speed rail movement in Pennsylvania, Amtrak was just absolutely dying. Passenger rail was something that nobody talked about or discussed. The Japanese had the only high-speed train in the world, the Shinkansen that went 125 miles an hour. And we were pushing a technology that really was totally unknown in the United States. And now today, high-speed rail is quite a topic inside the beltway. We watched your budget hearings on television the night before last on C–Span, and we saw quite a bit going on about high-speed rail there.

I believe the Committee that you chair, Congressman Roe and the members of your Committee really have a vital role to play in America, and that is the restating of what surface transportation really is in America and how surface transportation goes about the business of creating wealth in this country. We, in western Pennsylvania, know what wealth was created here when you tied the railroads and the water together in this part of the country. And we also know what kind of wealth is going to be created when we tie high-speed rail to the airport with a good integrated highway system.

I, as a member of the House in Pennsylvania, pledge to work very closely with you and others as you go into that writing phase of the legislation. And we really look forward to calling this really not a transportation bill, I think, but more of an economic development piece of legislation. Because as you well know and others well know that in America right now, transportation is business and business is our future. And for those of us who want to share the wealth, I think we have got to do a little wealth creating.

And we applaud your efforts and the efforts of the Committee here. We just want to thank you for coming home to Pennsylvania, Joe.

Mr. **Kolter**. Thank you, Rick. We are most appreciative of your remarks. In the interest of saving time, we will dispense with questions, and move right along.

Mr. GEIST. Thank you very much. Have a good trip back.

Mr. KOLTER. I promised you, you would be on your way before 9:15. Drive safely and vote carefully, will you please.

Mr. GEIST. Thank you. Now, Howard can knock the ball out of the park.

Mr. KOLTER. Well, before that happens, we are going back to the regular order of business here. I do have an opening set of remarks, and I am going to recognize my colleagues to my right and to my left.

I want to welcome everyone here today and thank you for taking time to be with us this morning. This is a very special occasion for us here in Beaver Falls and in western Pennsylvania. Not often do we host members of a Committee as powerful as the Committee on Public Works and Transportation.

Today's hearing is a first in a series of hearings the Subcommittee on Economic Development plans to hold at several sites around the nation. We want to learn about the economic problems in various regions and the impact of changing national and rural economies on their businesses and industries. We seek greater insight into the effectiveness of the programs administered by the Appalachian Regional Commission, the ARC, and by the Economic Development Administration within the Department of Commerce, the EDA, and about public and private sector efforts to revitalize local and regional economies. We also want to explore the transportation and infrastructure problems and intermodal innovations at State and local levels and get a clearer picture of the impact on private investment and the ability of different sections of the country to compete in international markets.

This Subcommittee has long been concerned about the state of our nation's economy. We have been actively engaged in legislative efforts to promote economic growth and job opportunities.

In each Congress since 1982, when authorizing legislation for EDA and ARC expired, our Committee has reported out and the House of Representatives has overwhelmingly passed bills to reauthorize the programs.

For years, Congress has fended off efforts by administration officials to do away with the agencies. Both agencies have continued to be funded through the budget and appropriations process, but only at about one-third of their peak levels of 1980. This year, the Appalachian Region Commission was included in the President's fiscal year 1992 budget proposal in the amount of $100 million.

Soon, we will be considering new legislation to reauthorize EDA and the ARC programs. The information we gain at this and subsequent hearings will help us develop legislation to address the problems of today's changing economies and to assist areas and industries facing economic adjustment. If we can continue to get the overwhelming support of the House and if the Senate takes action, we might be able to enact a law providing for a three-year authorization for both the EDA and the ARC.

Clearly, there continues to be a need for federal programs aimed at improving the economic climate of depressed areas and industries in order to create and retain long-term private sector jobs. The President has admitted that the new trade agreements for which he asked for fast track negotiating authority will take away jobs presently held by people in our country. I chaired our Subcommittee's hearing on the effects of this fast track negotiating authority just a few weeks ago in Washington. It is a matter of great concern to all of us here today.

That need for economic development is certainly evident here in the Commonwealth of Pennsylvania, particularly in this section of the state which is within the Appalachian region. The unemployment rate for Pennsylvania, which dropped in April to 7.1 percent, is well above the national rate for April of 6.6 percent. A number of areas of the state, including three of the six counties that I represent, have double-digit unemployment figures.

The decade of the 1980s was particularly hard on this Congressional district. The industries that constituted the economic base for this region declined substantially, resulting in a switch from a manufacturing-based economy to agriculture. The population declined by over five percent as people left, seeking employment elsewhere. Growth of per capita income, which is below the national average, slowed considerably.

Targeting EDA and ARC development assistance to disadvantaged areas is a cost-effective way to help cure some of the ills and imbalances of the economies and fiscal capacities that exist among States, communities and regions.

Certainly, promoting these economic development programs is consistent with the goals of the Public Works and Transportation Committee to bolster the nation's capacity to meet the challenges of competition in the global marketplace.

The greatest economic success story we have in the tri-state area is the Greater Pittsburgh International Airport and the construction of the new midfield terminal.

We already have tremendous traffic jams in trying to move people to and from the airport. At 3:00 a.m. in the morning just this past week, Penguin fans found themselves immobilized on the highways leading to the airport. We need to examine the additional needs which will most certainly develop from this hub of employment.

We need to address the intermodal transportation possibilities, such as mass transit, HOV lanes for bus access, high-speed magnetic levitation trains and other modes of travel which could both correct the traffic tie-ups and also enhance our ability to compete economically in the tri-state area, as well as in the global marketplace.

The Public Works and Transportation Committee, under the outstanding leadership of our Chairman, Mr. Bob Roe of New Jersey, is now involved in a major effort to rebuild America's infrastructure. Infrastructure provides the foundation of our economy and it touches all segments of our society.

It is imperative that we maintain our transportation, energy, water supply, waste disposal and other systems in top condition. That is a key to fostering growth in manufacturing, in travel and tourism and other industries that will help us to be more competitive and provide for our domestic economic growth.

More importantly, it is a key to creating and retaining good paying jobs for our people and enhancing their quality of life.

Today, we look forward to hearing from you, whose lives are directly touched by these needs. We want to hear about your goals. We want to hear your plans to help revitalize the area and create new businesses and jobs and enhance manpower skills. Tell us about your infrastructure needs. Give us your thoughts on how we can improve on the federal partnership with the States, local governments and private sector to stimulate economic growth. We will carry your message to the halls of Congress.

With that, I want to recognize Chairman Bob Roe for his opening remarks.

The CHAIRMAN. Well, I thank the distinguished Chairman and I think you have spoken eloquently as far as the Committee is concerned on the goals and the things we are trying to achieve in the country and also for Pennsylvania.

May I take the opportunity to thank Dr. McFarland for inviting us and hosting us today here at Geneva College.

And thank you for the fine work you are doing on the Committee as Chairman of our Economic Development Subcommittee. In order to save time, I am going to ask unanimous consent to put my statement in the record in full so I can hear what the Secretary of Transportation has to say for this great State of Pennsylvania.

Mr. KOLTER. Without objection, so ordered.

[The prepared statement of Mr. Roe follows:]

CHAIRMAN ROBERT A. ROE

OPENING STATEMENT

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

JUNE 3, 1991

THANK YOU, MR. CHAIRMAN. IT IS A PLEASURE TO BE HERE WITH YOU IN WESTERN PENNSYLVANIA AT YOUR ALMA MATER. I AM SURE YOU MUST BE VERY PROUD OF THIS INSTITUTION WHICH HAS BEEN PROVIDING EDUCATION FOR THE PEOPLE OF BEAVER VALLEY FOR 143 YEARS. THEY MUST BE PROUD OF YOU, TOO, AS ONE OF THE MOST ILLUSTRIOUS OF THE GOLDEN TORNADOS.

THEY SHOULD BE PROUD OF YOU. YOU HAVE BEEN A CHAMPION FOR THIS AREA ON THE PUBLIC WORKS AND TRANSPORTATION COMMITTEE AND IN THE CONGRESS. YOU HAVE WORKED HARD FOR THIS REGION AND YOU HAVE GOTTEN RESULTS. THE ENTIRE REGION IS WELL-REPRESENTED ON OUR COMMITTEE, WITH CONGRESSMAN NICK JOE RAHALL FROM WEST VIRGINIA AND CONGRESSMEN DOUG APPLEGATE AND JIM TRAFICANT FROM OHIO.

CONGRESSMAN KOLTER DESERVES SPECIAL PRAISE FOR OUTSTANDING LEADERSHIP – FIRST ON THE STATE LEVEL AND NOW ON THE NATIONAL LEVEL – IN THE FIELD OF HIGH SPEED RAIL TRANSPORTATION. FOR THIS COUNTRY TO REMAIN COMPETITIVE IN THE WORLD ECONOMY, WE NEED MORE HIGH SPEED RAIL. YOU HAD THE VISION TO SPONSOR THE INTERSTATE HIGH SPEED RAIL COMPACT AMONG THE SIX GREAT LAKES STATES.

YOUR NEW BILL, SETTING UP A DEMONSTRATION PROJECT BETWEEN GREATER PITTSBURGH INTERNATIONAL AIRPORT AND DOWNTOWN PITTSBURGH IS THE TYPE OF PROJECT USING THE HIGHEST ADVANCED TECHNOLOGY AND LINKING DIFFERENT FORMS OF TRANSPORTATION THAT WILL PROVIDE THE FOUNDATION FOR A STRONG ECONOMY IN THE 1990S AND BEYOND.

CONGRESSMAN KOLTER, WITH HIS LEADERSHIP ON THE HIGH-SPEED RAIL ISSUE, IS SHOWING THE WAY TO REBUILDING AMERICAN AND TRANSFORMING THE NATION'S INFRASTRUCTURE TO MEET THE CHALLENGES OF THE 21ST CENTURY GLOBAL ECONOMY. HERE IN THIS REGION WHERE SUCH DAMAGING ECONOMIC CHANGES HAVE TAKEN PLACE IN A FEW SHORT YEARS, IT IS ABUNDANTLY CLEAR THAT THE ECONOMIC FUTURE OF THE NATION LIES IN OUR INDUSTRY'S ABILITY TO COMPETE IN THE GLOBAL ECONOMY.

THE WESTERN PENNSYLVANIA, EASTERN OHIO, AND WEST VIRGINIA AREA HAS SUFFERED DEVASTATING ECONOMIC LOSSES DUE TO THE NATIONAL FAILURE TO TAKE THE MEASURES NECESSARY TO COMPETE IN THE INTERNATIONAL MARKETPLACE. FOR TWO DECADES, WE HAVE REFUSED TO MAKE THE NECESSARY INVESTMENTS THAT WOULD PROVIDE THE FOUNDATION FOR AMERICAN INDUSTRY TO COMPETE ABROAD. INFRASTRUCTURE IS THE KEY – TIME IS PRODUCTIVITY, TIME IS MONEY.

A DECADE AGO, U.S. STEEL, AS IT USED TO BE CALLED, REPORTED THAT INCREASED LABOR COSTS DUE TO THE REROUTING OF TRAFFIC AROUND DEFICIENT BRIDGES IN THE PITTSBURGH AREA COST IT $1 MILLION. WITH BRIDGE CONDITIONS DETERIORATING EVEN FURTHER, THE ADDED COST WOULD BE EVEN GREATER.

HOW CAN WE EXPECT OUR INDUSTRY TO COMPETE WITH THEIR FOREIGN RIVALS UNDER THESE CONDITIONS? IN THE PAST 20 YEARS, JAPAN, WEST GERMANY, FRANCE, ITALY AND CANADA HAVE ALL INVESTED MORE IN THEIR NATIONAL INFRASTRUCTURES – AND THEY HAVE ALL EXCEEDED OUR PRODUCTIVITY GROWTH RATE. JAPAN, GERMANY AND FRANCE ARE ALL WAY AHEAD OF US IN THE DEVELOPMENT OF THE MAGNETIC LEVITATION TECHNOLOGY FOR HIGH SPEED TRANSPORT, A FORM THAT WAS INVENTED IN THIS COUNTRY.

LAST WEEK A FRENCH CONCERN RECEIVED THE CONTRACT TO BUILD A HIGH-SPEED TRAIN IN TEXAS. NOW THEY ARE PLANNING TO SELL HIGH-SPEED SYSTEMS IN TAIWAN, SOUTH KOREA AND CANADA. IN THE SHORT-RUN, WE SAVED MONEY BY PROVIDING THE GOVERNMENT SUPPORT FOR HIGH-SPEED RAIL. IN THE LONG RUN, WE DAMAGED OURSELVES BADLY BECAUSE OTHER NATIONS ARE USING THE TECHNOLOGY AND REAPING THE PROFITS FROM SELLING IT TO OTHER COUNTRIES.

JAPAN IS NOW EMBARKING ON A $3.5 TRILLION INFRASTRUCTURE PLAN TO BUILD NEW ROADS, AIRPORTS, PORTS, AND RAILROADS. WE MUST MAKE A COMPARABLE LEVEL OF COMMITMENT TO OUR OWN INFRASTRUCTURE OR WE WILL FALL FURTHER BEHIND.

IN AMERICA TODAY, WE ARE FACING A CRUMBLING, DECAYING INFRASTRUCTURE. IN PENNSYLVANIA, 9,000 BRIDGES, OR 40 PERCENT OF THE STATE'S TOTAL ARE DEFICIENT. IN EASTERN OHIO, THERE IS A SERIOUS DRINKING WATER SUPPLY CRISIS AND A NEED FOR MORE THAN $3 BILLION IN SEWAGE TREATMENT PLANT CONSTRUCTION. IN WEST VIRGINIA, 59 PERCENT OF THE BRIDGES ARE DEFICIENT.

THE INFRASTRUCTURE – THE ROADS, THE BRIDGES, THE AIRPORTS, MASS TRANSIT, INLAND WATERWAYS, PORTS, WASTEWATER TREATMENT AND DRINKING WATER SYSTEMS – ARE THE VERY FOUNDATION OF AMERICAN LIFE.

THE SHOCKING LOSS OF HALF THE MANUFACTURING JOBS IN THE AREA SHOULD BE A RED FLAG TO THE ENTIRE NATION THAT WE RISK SEEING OUR STRONG AND INDEPENDENT MANUFACTURING-BASED ECONOMY REDUCED TO A DEPENDENT SERVICE ECONOMY UNLESS WE BEGIN THE EFFORT TO REBUILD AMERICA.

I HAVE NO INTENTION OF LETTING THAT HAPPEN AND I KNOW JOE KOLTER AND ALL THE OTHER COMMITTEE MEMBERS HERE WILL NOT LET THAT TAKE PLACE WITHOUT A FIGHT. WE INTEND TO STAND UP FOR OUR ECONOMY HEALTH AND VITALITY TO MAKE SURE AMERICA'S DOMINANT POSITION IN THE WORLD ECONOMY IS MAINTAINED.

INFRASTRUCTURE INVESTMENT IS JUST THAT – INVESTMENT. IT DOES NOT COMPETE WITH ALL THE OTHER GOVERNMENTAL NEEDS SUCH AS EDUCATION, HOUSING, THE HOMELESS, HEALTH CARE. IT WILL CREATE THE NEW WEALTH TO PAY FOR ALL THOSE NEEDS. FOR EVERY $1 WE

INVEST IN THE INFRASTRUCTURE, WE GET A $10 PAYBACK. FOR EVERY $1 BILLION WE INVEST, WE CREATE 50,000 NEW JOBS.

YESTERDAY, ON OUR WAY TO BEAVER FALLS, WE PASSED THROUGH ALIQUIPPA AND SAW FIRST-HAND WHAT HAPPENS WHEN A ONCE THRIVING COMMUNITY STAGNATES ECONOMICALLY.

TRANSPORTATION IMPROVEMENTS WILL BE CRUCIAL FOR THIS AREA TO RESUME ITS LEADERSHIP IN THE AMERICAN ECONOMY. A START HAS BEEN MADE WITH AS ROUTE 60 AND INTERSTATE 79 HAVE OPENED THE BEAVER VALLEY TO THE PITTSBURGH AREA. JOE KOLTER HAS BEEN TELLING US ABOUT THE CROW'S RUN PROJECT WHICH WILL CONNECT THE TWO ROADS.

WE HAVE ALL HEARD THE PRONOUNCEMENTS ABOUT THE END OF THE SHORT, MILD RECESSION. WHEN MORE THAN ONE OUT OF 10 WORKERS IS UNEMPLOYED IN SOME AREAS, THE RECESSION IS NOT MILD. THE UNEMPLOYMENT FIGURES IN THIS AREA AND MANY OTHER AREAS ARE AT A LEVEL THAT ARE NOT ACCEPTABLE TO THE AMERICAN PEOPLE.

IT IS TIME FOR THE FEDERAL GOVERNMENT TO TAKE ACTION TO HELP THE AREAS THAT DIDN'T JOIN THE PARTY THAT WALL STREET HAS BEEN HAVING. OUR PEOPLE ARE UNEMPLOYED, THEY WANT TO WORK, AND WE SHOULD HELP THEM GET JOBS.

INSTEAD OF HELPING OUR PEOPLE, FUNDS ARE BEING CUT BACK. APPALACHIAN DEVELOPMENT FUNDS HAVE BEEN REDUCED TO ONLY ABOUT ONE-THIRD OF THE AMOUNT AVAILABLE 10 YEARS AGO. THE APPALACHIAN REGIONAL COMMISSION FUNDED ONLY TWO PROJECTS IN

THIS AREA IN THE LAST TWO YEARS. ECONOMIC DEVELOPMENT ADMINISTRATION GRANTS FOR PENNSYLVANIA IN FY 1990 WERE ONLY $6 MILLION.

AS A NATION, WE MUST DECIDE WHAT COURSE TO TAKE FOR THE NEXT DECADE AND THE NEXT CENTURY. WE MUST TAKE BOLD AND AUDACIOUS STEPS THAT WILL LEAD THE NATION, ALL OF THE NATION INCLUDING THIS REGION, BACK TO ECONOMIC PROSPERITY. WE FACE MAJOR CHALLENGES IN THIS TASK – BUT ALSO GREAT OPPORTUNITIES.

THE DECISIONS WE MAKE IN THE COMING MONTHS WILL DETERMINE THE ECONOMIC PROSPERITY AND THE QUALITY OF LIFE OF OUR NATION IN THE NEXT CENTURY. WE MUST REBUILD THE NATION, NOT TO MAINTAIN THE STATUS QUO, BUT TO MEET THE CHALLENGES OF THE 21ST CENTURY.

Mr. **Kolter**. Mrs. Bentley, please.

Mrs. **Bentley**. Thank you, Mr. Chairman. I applaud you for your leadership as the new Chairman of our Subcommittee. As you and our colleagues on the Committee are aware, the United States is struggling to recover from an economic recession that is having far-ranging ramifications for all sectors of society. This places additional burdens and responsibilities on our Committee and Subcommittee to develop legislation that not only will ease the plight of regions such as this, but will lay the foundation for the reindustrialization of our Nation.

Yesterday, we toured the community of Aliquippa, which must be described as a graphic example of misguided policies that allow and encourage the exportation of American jobs.

In fact, as I read it, the entirety of Beaver County has suffered from the deindustrialization of the United States of America. That must be turned around.

A tour of the town of Aliquippa should be required for all members of Congress, and especially for the bureaucratic policy makers who seek to raise the level of foreign economies under the guise of free trade at the expense of American workers.

Mr. Chairman, we have the opportunity to help communities like Aliquippa and the people whose lives have been greatly impacted as a result of plant closings and lost industries. But more importantly, the Public Works and Transportation Committee has before it the opportunity to help prevent the community of Aliquippa from spreading throughout this great Nation.

As I said yesterday, if we could even think of providing $100 billion for the U.S.S.R.'s recovery, we certainly can plan to spend that amount to help depressed areas in the United States of America.

We have an awesome challenge before us, but I am confident that under your leadership and the leadership of Mr. Roe and Hammerschmidt, Chairman and ranking minority member, respectively, of our full Committee, we will succeed.

Mr. Chairman, we have a full schedule today, so I will not take any more of the Committee's time. I look forward to hearing the testimony of the distinguished witnesses you have arranged to meet with us today, and I again want to commend you for your leadership and thank you for calling this hearing.

Mr. **Kolter**. Thank you, Mrs. Bentley.

The Chair now recognizes Mr. Hammerschmidt of Arkansas for his opening remarks.

Mr. **Hammerschmidt**. Thank you very much, Mr. Chairman. Mr. Chairman, we have so many important and knowledgeable witnesses before us today we are waiting to hear and so little precious time that I would just ask unanimous consent to put my statement in the record.

But before, let me just say how grateful we are for the warm hospitality we have found here from Dr. McFarland, from Beaver County, from all of the 4th District constituents. We are delighted to be with you and I commend you for this hearing, especially on the oversight of the Appalachian Regional Commission and EDA and all of the work that you do and as it pertains to the development of our infrastructure and economic development. Thank you.

Mr. **Kolter**. Thank you, Mr. Hammerschmidt.

[The statement of Mr. Hammerschmidt follows:]

STATEMENT OF THE
HONORABLE JOHN PAUL HAMMERSCHMIDT
ECONOMIC DEVELOPMENT SUBCOMMITTEE
FIELD HEARING
BEAVER FALLS, PENNSYLVANIA
JUNE 3, 1991

THANK YOU MR. CHAIRMAN:

IT IS INDEED A PLEASURE TO BE IN YOUR HOME DISTRICT FOR THIS IMPORTANT HEARING. I WOULD LIKE TO THANK YOU AND THE CITIZENS OF BEAVER FALLS AND THE FOURTH DISTRICT FOR THE WARMTH AND HOSPITALITY THAT YOU HAVE AFFORDED US.

MR. CHAIRMAN, YOUR EFFORTS TOWARD REBUILDING OUR INDUSTRIAL BASE, AND THE INFRASTRUCTURE THAT SUPPORTS IT, WILL BENEFIT BOTH THIS REGION AND THE NATION AS A WHOLE.

MANY AREAS, SUCH AS BEAVER COUNTY AND OTHER PORTIONS OF WESTERN PENNSYLVANIA, HAVE EXPERIENCED SUBSTANTIAL ECONOMIC UPHEAVAL AND DISTRESS AS INDUSTRIAL AND MANUFACTURING PLANTS, OFTEN THE PRINCIPAL EMPLOYER IN THE COMMUNITIES IN WHICH THEY WERE LOCATED, WERE FORCED TO SHUT THEIR DOORS. WHOLE COMMUNITIES HAVE DWINDLED OR DISAPPEARED AS THEIR POPULATIONS FORCED TO LOOK ELSEWHERE FOR ECONOMIC OPPORTUNITY. YESTERDAY, WE VIEWED FIRST-HAND AN EXAMPLE OF THIS TYPE OF TRAGEDY WHEN WE VISITED THE ONCE VIBRANT INDUSTRIAL TOWN OF ALIQUIPPA, WHICH HAS NOW BEEN REDUCED TO LITTLE MORE THAN A GHOST TOWN. A SIMILAR FATE AWAITS OTHER COMMUNITIES ACROSS THIS COUNTRY UNLESS WE ACT TO HALT THIS NATION'S INDUSTRIAL AND ECONOMIC DECLINE.

MR. CHAIRMAN, YOU ARE TO BE COMMENDED FOR CONDUCTING THIS HEARING TO REVIEW THE EFFECTIVENESS OF THE PROGRAMS OF THE ECONOMIC DEVELOPMENT ADMINISTRATION AND APPALACHIAN REGIONAL COMMISSION, AND THE ROLE OF INFRASTRUCTURE IN PROMOTING ECONOMIC GROWTH AND

OPPORTUNITY. EDA AND ARC PROGRAMS PLAY A PIVOTAL ROLE IN PROVIDING THE ECONOMIC FRAMEWORK UPON WHICH COMMUNITIES ARE BUILT, INCLUDING HELPING DISTRESSED AREAS MEET CRITICAL INFRASTRUCTURE NEEDS. WE MUST ASSURE THAT THESE PROGRAMS ARE OPERATING IN THE MOST EFFICIENT MANNER POSSIBLE SO THAT THEY CAN PROVIDE ESSENTIAL AID AS WE BEGIN TO WORK TOWARDS REJUVENATING OUR INDUSTRIAL BASE AND PROVIDING GREATER ECONOMIC OPPORTUNITY FOR ALL.

I WOULD LIKE TO WELCOME ALL OF THE WITNESSES WHO ARE TAKING THE TIME TO SHARE THEIR THOUGHTS WITH US TODAY AND I LOOK FORWARD TO HEARING THEIR TESTIMONY.

THANK YOU, MR. CHAIRMAN.

Mr. KOLTER. Next, Mr. Borski, from Pennsylvania.

Mr. BORSKI. Thank you very much, Mr. Chairman. I want to simply say how happy I am to be here in your Congressional district. You and I have worked together now for 15 years on transportation needs. First in Pennsylvania, where I served with you as you were Chairman of the Transportation Committee. For the last nine years, here in the Congress.

The people in your district should be aware of your leadership in transportation issues. You are certainly aware that transportation and economic development go hand-in-hand, and I am just delighted to be here with you today.

Mr. KOLTER. Thank you, Mr. Borski.

The Chair recognizes Congresswoman DeLauro of Connecticut for her opening remarks.

Ms. DELAURO. Thank you, Mr. Chairman. As a freshman, I was delighted with the appointment to the Public Works and Transportation Committee and also happy to serve on the Economic Development Subcommittee with Chairman Kolter. I am delighted to join you on your home territory to explore some of the issues of concern to the region. Judging from the extensive list of distinguished witnesses, we are going to be well versed by the end of the day.

In reviewing some of the materials for the hearing, it is clear that this area of the country has benefited from and can continue to benefit from the infusion of federal dollars for infrastructure, transportation and economic development. Industry here has been particularly hard hit over the last couple of decades and it is very difficult to make up the job losses.

As you know, Mr. Chairman, I am from Connecticut, a State that has typically enjoyed great prosperity, but one that has been very hard hit by the recession. Banks in New England are simply not extending credit, and businesses have been failing in record numbers over the last few years.

Connecticut is heavily reliant on the defense industry. With $5 billion coming into the State annually for defense contracts. The challenge that we face is preserving jobs for the trained and skilled work force associated with the defense industry, as defense dollars shrink. This is an area where the Economic Development Administration can play a vital role—helping the industry to diversify so that we can head off an economic disaster.

I know that this region has confronted similar and sometimes daunting challenges as the coal, steel, chemical, metal and plastics industries have declined. The entire Nation is really feeling the effects of this recession and from rising unemployment. Americans are reeling from spiraling health care costs, housing costs and education. And since the 1970s, the real income for middle class Americans has declined. I believe that it is time to restore some of that buying power to the middle class by cutting their taxes, time to relieve some of the financial burdens on the vast majority of Americans and that this makes good economic sense.

The Federal Government can help to spur local economies by making wise investments in infrastructure, by encouraging fast, reliable and fuel efficient modes of transportation, by aiding States and localities in meeting water quality requirements and replacing failing bridges. These are the avenues of future wealth. There is no question that limited federal dollars can go a long way to stimulating private investment and enterprise, as well as helping to avert economic crises.

I look forward to hearing from our witnesses, and I thank you again, Mr. Chairman, for including me in this hearing today. Thank you.

Mr. Kolter. Thank you, Ms. DeLauro.

The Chair recognizes Mr. Applegate of Steubenville, Ohio for remarks.

Mr. Applegate. Thank you very much, Mr. Chairman. I am very happy to be here with you and all of my colleagues. And I would just say that the people of western Pennsylvania are very fortunate they have a friend and a neighbor and a very qualified guy as Chairman of the Economic Development Subcommittee on Public Works. Joe—and I heard Dr. McFarland say awhile ago he has played golf with Joe. And I have, too, and I can tell you and Dr. McFarland can verify that seeing Joe play golf, you know that he sticks to work.

Mr. Kolter. Yes, I take great pride in my job here, Doug.

Mr. Applegate. I know. I think that we are very privileged here, too, to have one of the outstanding chairmen in the United States House of Representatives of the Full Committee on Public Works—Bob Roe, a long-time friend of mine and one who really is vitally interested in the economic development of the—I think primarily the northeast quadrant of the United States, which would take in Ohio and Michigan, Pennsylvania, West Virginia and all the rest—and New Jersey, his own area.

And so, we are very happy that he is here and he is Chairman of the Committee, as well as John Paul Hammerschmidt, the ranking minority member, who is the top Republican on the Committee and an outstanding gentleman from Arkansas who faces a lot of the same problems we have.

Let me just say this, that you know, in western Pennsylvania, as we have in eastern Ohio and the panhandle of West Virginia, we are losing so many of our people, primarily because we are losing so much of our industrial base. We are losing our tax base. We are just plain losing our jobs because they are going to other parts of the United States—down in the west, the southwest, the so-called Sunbelt, but also I believe because of a lot of misguided trade policies that we have in this country over the past number of years, that we are losing so many of our good, strong manufacturing jobs to overseas industries. With an incentive for many of our businesses and industries in this country to move their industries and all into other countries of the world.

I think it is misguided. I think it is a disservice to the people of our country and to our working people. The working American, believe me, is becoming an endangered species. And I just do not think that we are going to be able to survive if we are losing all of our good manufacturing jobs and we end up with a lot of service jobs. Now, there is nothing wrong with working at Wendy's and McDonald's, but it does not pay a whole lot of money. And if you are working at the shopping malls, it is good, but when you are getting minimum wage and you are working only 20 hours a week, and therefore, they do not have to pay you any health insurance or any kind of pension benefits, you know that you are losing out. And this hurts areas like ours. And the people in our areas are out chasing those jobs or they are unemployed or underemployed. And so, we face a great many problems. And that is why I think that it is very vital, Mr. Chairman, that you were able to bring this Committee here.

I am sorry that I did not get a chance to go over to the Pittsburgh Airport with you. I live in Steubenville. I only live about 35 miles from the airport. But I know how vital that that is, and with that expansion—a multi-billion dollar expansion—and Chairman Roe stated himself, he says, "It is a magnificent structure," and he did not realize it was so expansive in the remodeling aspect of this.

And these areas need to be opened up. And I think as your State legislator said, Joe, that you need rapid rail to get into that area. Coming out of Ohio through the panhandle of West Virginia and western Pennsylvania, we need an extension of U.S. Route 30, Mr. Chairman, which is going to help those areas and so that we have the ability to get to that airport and to continue to expand on economic development in western Pennsylvania. And I think it is very important.

I want to say my good Chairman that he is going to be looking after the economic development monies at ARC. There has been over the past ten years an attempt by administrations to do away with Appalachian Regional Commission monies and Economic Development Agency monies, as well as Farmer's Home and other of the lettered agencies. And I am happy to see that in spite of that, the Congress has come forth and kept those alive. However, they have been reduced dramatically. And I know in this budget, there was a proposal of $100 million for ARC alone, but it is going to be $175 million. Not a lot of money for the whole of the economic development area. But at the same time, it is money that is going to come back into our area and help us to provide the services that are necessary to help to take care of our people.

And so, I do not have a prepared statement; so therefore, that is why I am making a few extra comments. And I just wanted to again thank you, and I appreciate all of the top people from your area coming in and expressing their desires and their needs and telling us what it is that western Pennsylvania needs, as well as the tri-state area—let us put it that way, too.

Thank you very much, Mr. Chairman.

Mr. **Kolter**. You are welcome. Thank you, Doug Applegate.

Let me repeat, we must move with dispatch. We must leave here precisely at 2:00 to catch that plane for Washington.

At this time, we recognize the first panel which consists of Secretary of PENNDOT, Howard Yerusalim, accompanied by Larry King and Marsha Blank. Mr. Secretary, the Chair recognizes you.

TESTIMONY OF HOWARD YERUSALIM, SECRETARY OF TRANSPORTATION, COMMONWEALTH OF PENNSYLVANIA, ACCOMPANIED BY LARRY KING AND MARSHA BLANK

Mr. **Yerusalim**. Thank you very much, Chairman Kolter of the Subcommittee and Chairman Roe of the full Committee on Public

Works and Transportation and ranking minority member John Paul Hammerschmidt, my distinguished friend from Philadelphia, my home town, Congressman Borski, and the other distinguished members of Congress who are here today.

To my right is Larry King, who handles planning for Pennsylvania, and to my left is Marsha Blank—and that is not a political statement, by the way. I wanted you to know that.

As you said, I am Howard Yerusalim, Secretary of the Pennsylvania Department of Transportation. I will not read that long testimony that you have before you, but I will, rather, paraphrase it and ask that you enter my testimony into the record for this hearing.

I was requested by the Subcommittee staff to discuss two topics, one being the Appalachian program and the second being the Surface Transportation Act reauthorization. And I will stick to those two subjects.

First, the Appalachian program. As you know, this is a 13-state program that was authorized in 1965 to revitalize depressed areas of this country. My involvement in the Appalachian program started in 1970 when I held a much less senior position than I hold today as Secretary of Transportation, but my interest continues even as we sit here today in this Appalachian program.

It was realized early on that transportation and access are the key to revitalization of the Appalachian region, and I think that is still true today. Pennsylvania has the largest Appalachian population of any of the States, 5.8 million people, which is 15 percent of the total population of the region.

The map to my left shows the Appalachian development highway corridors in Pennsylvania. They consist of 509 miles, which I equate to our 1,500-mile Interstate system. Of those 509 miles, 453 were judged eligible for restoration under the Appalachian Development Highway program; the others were considered adequate. Of those 155 miles have been constructed and opened to traffic and 52 more miles are under construction as we sit here today. We have received $529 million in Appalachian Development Highway funding, and we have supplemented that with other funds. Congressman Shuster has been very successful in providing us special funds for corridor O, which is traffic Route 220, which is the area where the Representative who spoke before me comes from.

Also, we have put our Federal Aid primary funds and our state funds into the Appalachia corridors. We realize the importance of this, but our job is not done. The 245 miles that remain of that Appalachian Development Highway system will cost $1.86 billion to complete.

One example of the positive impacts of the Appalachian Development Highway program was documented in a study regarding that corridor O that was done recently. The study revealed that between the Bedford Interchange of the Pennsylvania Turnpike and Altoona, which has been opened to traffic, that in Blair County, 52 companies were relocated since 1985 into that region, generating more than 2,500 jobs. More than 1,000 new jobs have been created by industrial activity in Bedford County. Retail sales in the Altoona metropolitan area have increased by $57 million per year, and we think a large part of that is the result of this highway.

And in summary, with respect to that statement, this is just proof that the program—the Appalachian program—has worked in Pennsylvania.

My testimony also indicates that we have received $33 million for Appalachia local access roads for 126 access road projects. If you turn to page three and four, you will see that I have identified eight of those projects. Those eight projects have generated or helped retain approximately 8,000 jobs in Pennsylvania, so the local access road program has been very important, too.

I think the continuation of the Appalachian program is vital to Pennsylvania and it should be funded not only at the levels that were discussed earlier today, but at the levels that it was funded at years ago. I can remember when Pennsylvania actually gave away $94 million because the Appalachian Commission determined that no State could receive more than $50 million a year, and we had loaned $94 million to other States because we could not match it. We never received that $94 million back, and now, we are receiving somewhere in the range of $10 million a year for that program. Certainly, more is needed and we certainly will help with our other funding.

Recognizing the importance of transportation to our economy, let me just talk about some of our accomplishments over the last four years in Pennsylvania. We have invested $4.2 billion in our highway and bridge construction program over that four-year period. Another $2.6 billion has been invested in our day-to-day maintenance and $2.4 billion has been invested in our transit capital program. We have rehabilitated or replaced more than 1,200 bridges over that four-year period. We have improved 27,000 of the 41,000 miles of State highway system in Pennsylvania, and we are the fourth largest State-maintained highway system in the nation. And our interstate system is virtually complete. Bob Borski knows all about it. By the end of this year, we will complete the Blue Route, which was first drawn on a map in 1929. So, we will have completed our interstate system by the end of this year.

Federal funding has been critical to that effort. Over those four years, we received $1.97 billion in highway and bridge funding from the Federal Government, plus another $797 million in special funds that were dedicated to Pennsylvania, and we certainly appreciate that. We have also received $685 million for our transit programs. These successes and accomplishments illustrate that the Federal, State, local partnership is really important to our future.

As noted on this board that is before you, I want to praise Congressman Kolter. We talked a little bit earlier about the Crows Run Expressway. Congressman Kolter has provided special funding for that project. Again on the lower right-hand corner of that map, the Ligonier Bypass, Congressman Kolter has provided special funding for the study for that project. And the Congressman is very, very interested in the Laurel Valley Expressway, which is located in Westmoreland County, and at the northeastern end is in Indiana County.

This leads to my discussion of the Surface Transportation Act reauthorization. As you know, 1991 ends a 35-year era. That was the Interstate era. The Interstate system is virtually complete, and as I said, will be completed in Pennsylvania by the end of this year. So, we have a unique opportunity to shape our future transportation program. We must have a reauthorization by October 1. We cannot afford to have a break in our transportation programs which have such an important impact on our economy.

First, let me discuss the Bush Administration proposal, and then, I am going to discuss Senate Bill 965, known as the Moynihan Bill that is from the Senate. First of all, let me always start with the positive. I try to always do that. And I will talk about the positive things that are in the Bush Administration proposal. It is comprehensive for both highways and transit. It is a five-year bill which lets us plan for the future. It consolidates 30–40 present federal funding categories in the highway program to three: the national highway system, the urban/rural program and the bridge program. It proposes some flexibility, and I will talk about the lack of flexibility that it proposes a little bit later. It promotes the national highway system, which I think is important to this nation, and it also promotes intermodalism, which is so important, as has been mentioned several times this morning. I strongly support all of those items in the Bush Administration proposal. But I do have serious concerns with the Bush Administration proposal.

And let me start with highways. First, let me start with the definition of the national highway system. I believe that the U.S. Department of Transportation put the cart before the horse. They said the national highway system should consist of so many miles. In Pennsylvania, that was 4,700 miles. But then, they gave us criteria. And those criteria yielded 900 miles more than that target mileage, and I refused to submit the target mileage—it was actually 4,800 miles that was recommended by the Federal Highway Administration. I submitted 5,700 miles, and thanks to the help of the Federal Highway Administration and some of the members of our Congressional delegation, 500 of that 900-mile differential has been added to the illustrative system that the Federal Highway Administration is working with now.

My second concern is with funding levels. And here we go to this board. I have heard speeches given by my good friend and colleague and my predecessor as Secretary of the Pennsylvania Department of Transportation and presently the Federal Highway Administrator, who said, "We are increasing the federal highway funding from $14.5 billion to $15.7 billion." Well, that just is not so. They are increasing—the recommendation increases the obligation ceiling, but when you include the programs that are outside the obligation ceiling, the increase is only from $16.1 billion to $16.3 billion. And then, it remains constant for two more years, with only increases in 1995 and 1996. I think this is clearly unacceptable.

If you go to the next board, you can see the transit program. And the transit program concerns me even more. Here, the present program is approximately $3.2 billion nationwide. But $1.8 of that $3.2 billion is general fund. The Bush Administration proposal proposes eliminating general fund support for transit and using only the transit portion of the trust fund. When you think about that, you see that the trust fund balance of $7 billion will be eliminated over a four-year period. I do not know where we will fund transit after that point. And there is no general fund support recommended.

On the highway side, there is a board that I did miss that I would like to show. Under the Bush Administration proposal, after four years, the balance in the highway portion of the highway trust fund will increase from the current $11.1 billion to $16.1 billion. And the only reason it decreases in federal fiscal year 1996 is because it is assumed that the five cent gas tax that was effective December of 1990 will be dropped, and I do not remember the last gas tax that was eliminated, so I do not believe that will occur. And I feel strongly that these trust funds should be spent.

The apportionment formulas must be fair. And I have another board where I would like to discuss this with respect to Pennsylvania. Again, my good friend, Tom Larson—and he is a good friend, as well as a working colleague and I have some differences of opinion. The most important system is the national highway system. That is our most important highways.

If you look at that, Pennsylvania will receive next year, $242 million based on the Bush Administration proposal. That will be 3.3 percent of the national pie. Well, we provide 4.54 percent of the national pie. That means we will receive 73 cents back for each dollar that we send to Washington that is released. That is not a fair return on the dollars that are sent to Washington. I find that unacceptable.

When you add the bridge program, the urban rural program and the national highway program together, you will see to the right that Pennsylvania will receive 4.05 percent when we provide 4.54 percent into the trust fund, or 89 cents back on the dollar. Now again, my good friend, Tom Larson, talks about Pennsylvania receiving 5.62 percent and being a big winner. Well, the difference is the Interstate money for projects that we built with our own funding, and that is just to pay us back. And after federal fiscal year 1992, we will continue to receive interstate funds, mainly for an interchange between I-95 and the Turnpike in southeastern Pennsylvania that probably will not be started during the life of this reauthorization. So, I think that we want fair distribution of funding when you work on the formulas for that funding.

Fifth, transferability. The Bush Administration proposal only proposes transferability from the national highway system to the other direction. I think the transferability should be in every direction. You should be able to transfer based on your State's needs, not on the fact that you can only transfer from the national highway system to the other systems. Maybe we have greater needs on the national highway system than the amount of funding that will be provided to us.

Let me turn to transit. This is an area where I cannot say one thing positive with respect to the Bush Administration proposal. I will not use adjectives that I have used before with Brian Clymer sitting as close to me as Larry King was at a conference in Pennsylvania with 300 transit officials there, but I am very upset with the transit proposal. I am upset that general funding is being recommended to be deleted. I am upset the recommendation is that there be no operating assistance to our two largest systems—systems that serve more than a million population. This will cost Pittsburgh $9 million and the Philadelphia region $27 million. I am upset that the Bush Administration is proposing a 60 percent federal share, when the present federal share is between 75-80 percent, depending upon whether it is the discretionary or the formula program.

And also, let me mention that during the last ten years, Pennsylvania has just about tripled its aid to transit at the same time that the Federal Government has significantly decreased their aid to transit, somewhere in the range of 40-50 percent.

Before I discuss the Moynihan proposal, I would like to praise two of the Congressmen who are here today and two who are not here today. Congressman Roe, the Chairman; the ranking minority member, Congressman Hammerschmidt; and the Chairman, Surface Transportation Subcommittee, Congressman Mineta; and ranking minority member of the Subcommittee on Surface Transportation, Congressman Shuster. And this is a graph that shows some numbers that they came out with—the gentlemen that are in front of me today. For federal fiscal year 1992, they suggested not $16.3 billion, but 21—billion, I'm sorry—but $21 billion for the highway program and $24.5 billion for the next four years. And I know the restrictions on getting that to happen, but you can see that they are looking at the economic impact of highways on our—on our nation and trying to provide a program that matches that.

On transit, the same thing has occurred. And that shows on the next board. If you look at this board, again, you will see the $3.2 billion that I talked about, the elimination of general funds and you will see the proposal by those four gentlemen of $6.7 billion to $7.1 billion, more than doubling what has been proposed by the Bush Administration.

But while I am concerned with the Bush Administration proposal, I am extremely distressed with Senate Bill 965, the Moynihan proposal. It does away with the current highway and bridge program structure and replaces it with a Surface Transportation Program, which they call STP. The STP would utilize over 50 percent of the highway funding and allows the funding to be used for either highways or transit, which in itself, is not bad, but when there is not enough money for highways alone, then I have a little bit of a problem with that.

It disregards the national highway system. It keeps the highway funding level as the proposal of the Bush Administration. And while it was modified in the markup, I am very concerned of the authority that it may give to the Metropolitan Planning Organizations when I think the states should retain their working relationship with the Metropolitan Planning Organizations in this program.

It also does not touch the $11 billion that I did mention earlier that is in the present highway portion of the highway trust fund, and it will grow to $16 billion, as I mentioned earlier.

There are other Senate proposals. I will not discuss them, due to the lack of time. I am always asked, "If you want to be critical, what do you propose?" so let me tell you what I propose. I propose a continuation of dedicated user financing and the release of the $18 billion in the highway trust fund for the highway and transit purposes for which it was intended. I propose larger programs in order to utilize this balance. I propose flexibility between categories to include all of the categories. I propose the national highway system that has been proposed by the Bush Administration. I propose urban and rural mobility programs and perhaps a special safety program and a bridge program and a discretionary bridge program and a discretionary either interstate restoration program or a discretionary program for the new national highway system. And I propose equitable funding between the States. As I showed, I do not think it is fair under the Bush Administration. And I also propose that the general fund support for transit continue. If you add that to the Bush Administration proposal, you can have a responsible transit proposal as we move forward.

And last, but certainly not least—something that is very, very important, that has been mentioned many times at the breakfast this morning, and at this hearing. I propose a strong intermodal portion of this reauthorization. I feel very strongly that we cannot just build our way out of congestion by building more and more highways. We need that intermodalism and the smart highways and the transit highway interaction, the park-and-ride lots and I could go on and on.

Let me say in closing that I offer my full support to this Subcommittee and the full Committee on Public Works and Transportation as you perform the difficult task of finalizing the Surface Transportation Act reauthorization. I will be there any time you call. I will come to Washington. I will come to your hearings anywhere around Pennsylvania or anywhere in this country. And I thank you for providing me the 15 minutes this morning, and I do not believe I used my full 15 minutes. Thank you.

[Mr. Yeruselim's prepared statement appears on page 327.]

Mr. KOLTER. Mr. Secretary, thank you very kindly for your interesting and timely testimony. In order to save time, I will submit some questions to you in writing.

The Chair at this time recognizes Chairman Roe.

The CHAIRMAIN. Thank you, Mr. Chairman. I want to compliment you, Howard, for an excellent presentation. I have had the privilege of hearing you before and your observations not only for Pennsylvania, but about what we are doing at the national level. I think you have grasped the order of magnitude of the issues very, very well.

Let me make two statements. One, it is the intent of the Public Works Committee to put forth legislation that, one, will recognize that a highway transportation system nationally oriented is essential to the country. The assumption that we can just have mass transit and no highway transportation program is ludicrous, indeed, from our point of view.

I think secondly, when we talk about donor States and non-donor States, New Jersey certainly has great sympathy with the great State of Pennsylvania because we have been a donor State from the very beginning.

Thirdly, I think that where transferability and flexibility is involved—which you have aptly expressed your views on—it is essential. I think States ought to have that right to be able to make those determinations on the basis of what is needed for them.

And let me add one more codicil for the record. As we have been vigorously pursuing this program and writing this legislation, one thing we cannot lose sight of is that the Clean Air Act will play an enormous role in how the resources of the States are going to be utilized, and also, how it relates to the flexibility and to the transferability, and I am sure you understand that.

Now, I would like to conclude, in view of the shortness of time, on one point, however. We all make our speeches—you and me alike and the members on this Committee—about the idea that we should be spending down the trust fund. This member—and I only speak for myself—firmly believes that if the people of this country have been, in effect, taxed on their gas bills to provide the trust fund money, the word "trust" means something to me. That money was specifically dedicated for transportation purposes of this country. And in candor, having nothing to do with partisan politics, the trust fund is being used to shield the public debt, as you know. So, the assumption that we are going to be able to use rhetoric to get us out of that situation, and the Congress is going to move and change that position in view of the budget agreement is far and few between because we tried this year to get that 2½ cents that was put on for budget reduction and the other 2½ cents—and have them spend that money. And so far, we were not successful, in spite of the fact of the vigorous bipartisan effort of the leadership of this Committee, as I know you are aware.

Naturally, I am leading to a point. We are coming back and we are saying to the Congress of the United States, and here in Pennsylvania to the people of Pennsylvania, "Let us not fool the American people again. Let us not be dishonest with the American people because fundamentally and basically, the funding that is being allocated either from the Senate side or the House side is not going to do the job that is needed in this country." We have to tell this country and we have to tell the members of Congress, "If you are going to rebuild the infrastructure and create the quality of life and the jobs that the gentleman from Ohio talked about, we have to rebuild our transportation system."

Here is a graphic example. In your great State of Pennsylvania, we look at the airport and the work, it is an economic dynamo that is happening.

Now, the question, what does Washington do? If the brothers and sisters, the members of the House, determine that we cannot move America because we have an agreement on the budget issue as we did in November when it was first made, how do we find additional funding for our infrastructure program for this country? We have a proposal that has been submitted called "A Nickel for America." Now, the Nickel for America would provide, as you know, $6.6 billion additional funds. Will the people spend a nickel on America? When the OPEC nations got together and raised the price of oil from $19 a barrel to $23 so they could balance out the cost of oil, that added amount that we are going to spend is going to be used to rebuild Kuwait. Now the question really before the House—and I know this is a little long, Mr. Chairman, but I think it is necessary to set the stage for this. Will we invest a nickel in America?

Would the people of America believe—including here in Pennsylvania as one of the cornerstones of the country—would they believe that if we put a nickel additional gas tax and it went specifically for the rebuilding of the country—for the infrastructure—must be spent and cannot be diverted or used for any purpose—would the people of Pennsylvania support that to get the resources you need in Pennsylvania, to rebuild your infrastructure system and your transportation system? That is an awful tough one to put you on the spot on, but I think it has to be said.

Mr. Yerusalim. I would like to answer that. I constantly ask people if they know how much of the price of gasoline is tax, and they have no idea. And that five cents that was added in December, they have no idea that that five cents was added because the price came down at the same time that that five cents went up, so they saw a reduction in the price of gasoline. And you will have my support if you put forth that proposal further.

The Chairman. Okay. That is the point I want to make. I want to—I think it is important to get on the table today that without the resources, then all of our efforts are in vain.

I thank the distinguished Chairman.

Mr. Kolter. The Chair recognizes the ranking minority member of the full Committee, Mr. Hammerschmidt of Arkansas.

Mr. Hammerschmidt. Thank you very much, Mr. Chairman. And thank you, Secretary Yerusalim, for your fine testimony.

The Chairman mentioned the monies in the trust fund, but as you know, we have another problem. Congress allocates money to you but then you cannot spend it because the Appropriations Committee imposes a cap on obligational authority. How much has been allocated to Pennsylvania that you cannot spend at this time? Do you know that figure?

Mr. Yerusalim. We have had approximately—we feel that our balance from that trust fund is about $500 million. But of the money that was actually apportioned to Pennsylvania, we will end this fiscal year with close to $300 million in our account. Like having a checking account with $300 million, where you cannot spend a penny of it.

Mr. Hammerschmidt. So, because of the obligation ceiling and the Federal budget process, you have $200 million that you can not spend?

Mr. Yerusalim. I am sorry. We will have, Congressman Hammerschmidt, about $300 million when this fiscal year ends. But if the full trust fund had been released and you take, you know, our share, about 4½ to 5 percent of that 11 billion, it would have been $500 million.

Mr. Hammerschmidt. Yeah, I know. We are talking about two different things. I am not necessarily talking about all trust fund money. I am talking about that money that has already been allocated that Congress put a cap on. You know, that is a sizable amount.

Mr. Yerusalim. And that is the one that will be close to $300 million when we end this fiscal year.

Mr. Hammerschmidt. I see. One other subject—and you may have this in your written testimony—but, you mentioned a fair allocation formula. You are one of the best transportation secretaries in the country and you represent a major State, a rather high density State, in places at least. What would be the components that would go into a fair allocation formula?

Mr. Yerusalim. Well, I think that the urban/rural program and the bridge program can be defined based on the urban/rural program being a dollar for dollar as has already been proposed. The bridge program could be based on needs. And by the way, Pennsylvania's share of those needs—even though the number is higher than the 4½ percent, has come down in the Bush Administration proposal three percent from what it presently is.

My concern is the national highway system. I do not think any State should receive less than 90 percent of what they are sending to Washington for our most important system of highways. And when I say 90 percent, I am not talking about a 90 percent allocation on the total. I am talking about a 90 percent allocation just on the national highway system because that is our extension of the interstate system around this country.

Mr. HAMMERSCHMIDT. That is going to be very important, as you know. After 35 years of allocating money and building the interstate system, it is now virtually complete. So we need to start over so that every State has an equitable and even shot at all that money, and that is something with which we are going to have a difficult time. But I know the information that you can give us can be very valuable, and I am sure we will be getting it.

The CHAIRMAN. Will the gentleman from Arkansas yield for a moment?

Mr. HAMMERSCHMIDT. I yield to the Chairman.

The CHAIRMAN. I would like to get one more point across if I can. You made the observation and you reviewed the Administration's proposal as far as the transportation legislation is concerned. And then, you made reference to the point of view that the Administration has consolidated a number of those basic accounts, I believe, down to four. And of course, the Moynihan bill pretty well consolidates that. We find in our review—which is intensive at this point—I mean, like intensive weekends and everything else—that we are concerned with that. We are concerned with it—I need your advice with it—we are concerned because as we—as the transportation program developed over the 35-year period, there were reasons that emerged, both from a practical point of view and from a political point of view to be able to set up some of these separate pot fundings, so to speak. I think, for example, on rail crossings, elimination of rail grade crossings, et cetera. The idea of the sovereignty of the bridge program because it was directed for a specific purpose.

As we are now doing our homework, we begin to see that there is some merit to retain some of those specific set-asides because otherwise, depending upon how the authority is given either to the state or the MPOs, as you mentioned earlier, those smaller programs will lose along the way, in our opinion. So, if the gentleman would yield further, could you just respond to that?

Mr. YERUSALIM. Yes, I would be glad to. First of all, in my testimony, I think I did say that I think we should consider a special safety category. Also, with the 30 or 40 categories, believe it or not, I have so much flexibility that I can move money in almost any direction that I wish, and that is why I kept concentrating on more flexibility than has been proposed by the Bush Administration so that the States can move money from the category where it is—might be apportioned to the category where it is most needed.

I do not think we need 30 or 40 categories. It takes a lot of time and a lot of effort in bookkeeping and things of that nature. So, I think if we have those few categories with greater flexibility, I think you will see the rail highway crossing projects occur. You will see the bridge program if you have a separate bridge program. And I think we can handle it with maybe four or five categories. The fourth I believe you were referring to was the completion of the interstate.

The CHAIRMAN. Yes.

Mr. YERUSALIM. But I added to that the safety program that we may want to also consider as a distinct category of funding.

The CHAIRMAN. Would the gentleman yield for another moment?

Mr. HAMMERSCHMIDT. I yield to the Chairman.

The CHAIRMAN. The other issue that we are looking at intensively—which becomes a major quid pro quo—there is going to be between the mass transit aspect of it and the highway as it relates to who controls the funding, vis-a-vis the MPO issue, meaning the Metropolitan Planning Organizations or whether or not the States control. What is your view there? Some people come back and say, "Well, look if you are really going to do this in a democratic way and you are really going to get the best input, you should be getting the best input locally." If the bulk of the people of the United States live in areas of a million and more and so forth, they ought to have more to say about what is being done and how the money shall be utilized for their transportation needs. We are coming back and saying, there ought to be some balance—not all of the funding going either through the MPOs or the State. What are your thoughts on that?

Mr. YERUSALIM. Well, my thoughts are the money should continue to come through the States. But we have a process in Pennsylvania, and I am sure they have a very good process in New Jersey, where we work with the Metropolitan Planning Organizations. We cannot spend money on our Federal aid systems that have not been approved by the Metropolitan Planning Organizations. And I think the process as it it today is working, and "If it is not broke, do not fix it," as they say. I think to turn this money over in chunks to the different Metropolitan Planning Organizations might not be where the money is needed.

Let us say that based on population, as per the Moynihan proposal, the money goes to Pittsburgh. And suppose that Pittsburgh—and this is not true—I am just using it as an example—has already revitalized their system. Maybe they do not need the money. At the State level, you can look at all the transit systems across the entire State and try and allocate the money as it is needed based on what has occurred in the past. And if it goes directly to the Metropolitan Planning Organizations, that is kind of an entitlement to that area when that area might have already completed those programs under the existing program before the reauthorization.

The CHAIRMAN. I thank the gentleman.

Mr. HAMMERSCHMIDT. Mr. Secretary, let us take the national highway system pool of money that you would get. If you have the authority to transfer say, 25 percent of those funds from urban to rural, is that authority adequate? And then, say, you wanted to transfer 35 percent and could go to the Secretary of Transportation for the additional 10 percent. Is that somewhere in the ball park?

Mr. **Yerusalim**. I think that that is right in the ball park. In fact, you know, I am always happy to be with gentlemen like yourself and am amazed by how you think through the process. And that is what I am talking about—the transferability in both directions. Twenty-five percent certainly would be significant. And if we needed more than 25 percent, if we can prove it to the U.S. Secretary of Transportation, I certainly would support that.

Mr. **Hammerschmidt**. I thank the Chairman. Chairman Roe has been discussing something along that line, so I am glad to get your views on that. Thank you very much.

Mr. **Yerusalim**. Yeah. A birdie did talk to me about 5:30 or 6:00 on Friday evening by the name of Shuster.

Mr. **Kolter**. The Chair recognizes Congressman Borski from Philadelphia.

Mr. **Borski**. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for an excellent statement. I find very little in here that I disagree with. But I do have a question or two in follow-up on this transferability or flexibility question, if I may. You suggested in your testimony that that is a good idea to some extent; yet, you are opposed to what Senator Moynihan is talking about, and I guess having 50 percent of the funds available. Is there a number that you are comfortable with, and are you talking a complete flexibility from any transportation mode?

Mr. **Yerusalim**. Well, my problem with the Moynihan proposal is that it recommends highway funding that is inadequate for highways alone, and then says you can use it all for transit. And that just will not work. We have to take care of the system that is out there on the highway system, but we also must have money for transit.

I do feel comfortable with the urban portion of the program if we wind up with an urban mobility program and a rural mobility program. I would feel comfortable with the urban mobility program being available for transit or highways because I recognize—and I am glad you brought it up because it was in my notes and I missed it—with the Clean Air Act amendments, there are areas where we cannot build highways, even if we had all the highway money in the world, and we will not build our way out of congestion. So we have to use transit as one of the methods, together with many, many other methods I could name to move our people and goods in the most efficient manner.

Mr. **Borski**. I am glad you mentioned in your testimony that Pennsylvania has tripled the amount of money it is spending for mass transportation. We know your support there, and it is greatly appreciated.

I wanted to ask you a question. There has been an idea floating around in Washington about using that so-called increase—nickel increase in gasoline tax to create a bond—to create a large pool of money that perhaps could be available. Use the nickel tax to service the debt for the bond. Is that an idea you are familiar with and would you like to comment on it?

Mr. **Yerusalim**. I do not know enough about that to really comment at this point. I can say that Pennsylvania for a long time borrowed money that they could not afford to pay back, and that was our problem when we could not match those Appalachia funds that I spoke about in the 1970s. So bond financing is good if you have a source of funding that you know will be available to pay back those funds. So, I would have to study that proposal.

Mr. BORSKI. This idea would be to take the nickel and have it go directly to service the debt so that there would not be any question as to whether or not that money would be repaid. And the bigger question is, if we create that big a pool of money, is it something that could be used effectively in the country?

One other question, if I could. You mentioned in your testimony a little bit about bridges. The Administration is proposing to reduce the Federal share for bridges, or increase the State share. How would that affect Pennsylvania?

Mr. YERUSALIM. Well, we think the Federal share should not be reduced. But the reduction is from 80 to 75 percent, which is only 5 percent. As you know, Congressman, we do have a dedicated bridge fund in Pennsylvania. We call it our billion dollar bridge program. It now has 5,000 bridges listed on it, for $3.6 billion. But we have completed close to 1,400 of those bridges for about $1.4 billion. So I think that I prefer 80 percent and I strongly prefer 80 percent, but Pennsylvania would not fall apart in the bridge area if it were 75 percent.

Mr. BORSKI. Okay. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. KOLTER. You are welcome.

The Chair recognizes Congresswoman DeLauro.

Ms. DELAURO. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for your testimony. I just wanted to pursue a little bit further about the requirements of the Clean Air Act and how it will affect the use of transportation funds. I'm wondering how we can put together a surface transportation bill that will help to meet with the restrictions of the Clean Air Act.

Mr. YERUSALIM. Well, I think that the restrictions are going to make it difficult in some of our urbanized areas that have not attained the Clean Air Act requirements for air quality to build new facilities. So I see that as long as we have the flexibility to use the money that is provided for highways, for car pooling efforts, for park-and-ride lots, for van pooling, for intelligent highways—which I did not talk about, for maybe intelligent vehicles—all things that we are already starting to do in Pennsylvania.

In fact, when that Blue Route that I mentioned opens, you are going to see an intelligent highway system with ramp metering, with variable message signs, with other things like that. So as long as we are able to utilize the funding for those efforts, I think it will be okay. But it is going to be very difficult in an area like the Philadelphia, southeastern Pennsylvania area, the five-county Philadelphia area, to build new highways under the restrictions of the Clean Air Act. And certainly, if I have to make the choice, I do have children. Between driving and breathing, my choice will be breathing.

The CHAIRMAN. Will the gentlelady yield?

Ms. DELAURO. Yes, Mr. Chairman.

The **Chairman**. You make another good point. I am sorry to be interrupting this many times, but I—you are helping us. In a number of States that would be considered non-attainment States. For example, the State of New Jersey, of the 21 counties, 19 are non-attainment, which has an extraordinarily important bearing upon how the Clean Air Act will drive decision-making in transportation in the State of New Jersey.

Your State is different, as I understand it. I mentioned this to Bud, Bud and I talked about this a little bit. And Joe Kolter sat in on that. The idea being that you have part of your State, such as the Philadelphia region, that would be non-attainment. But you then have parts of your State that, of course, would be already in compliance.

In my judgment, one of the very key things that is happening in the decision-making in this transportation issue is based on two points. If we have the $3.6 billion that is allocated to the mass transit and we have the $15 billion here, those are the two major sources of funding. Obviously, the $3.6 billion that we have is woefully inadequate to do anything of substance in the whole country as far as mass transit is concerned. And I think that is a reasonable point to make.

But, the Clean Air Act says to you too bad, guys, you have to be able to do the attainment issues under the Clean Air Act. And therefore, you cannot build more highways and so forth. You have got to have more mass transit. But the money is not there to do it. And if you do not have the funding to do it and you do not do it, then you go into different sanctions and could lose your transportation money.

Therefore, the relationship of the transferability and the flexibility becomes critically important as—in other words, going both ways. Because if a State puts more of its resources to meet the requirements under the Clean Air Act for non-attainment or attainment, whatever the case may be, that is where the key is going to come from for the determinations that have to be made in the States. Because the underpinning issue is how you solve the attainment or non-attainment issue as far as clean air. In effect, it is a dominant issue at this particular point as we rewrite this transportation legislation. Are you with me?

Mr. **Yerusalim**. Yes.

The **Chairman**. Now, the one hole in that dike, however, is what do we do when we have a State that is, say, one-third non-attainment and two-thirds? Do we allow the total flexibility in both instances? Are you with me?

Mr. **Yerusalim**. Yeah.

The **Chairman**. If we allocate the funding to the MPOs and the MPOs make that decision process, that is in the urban area where the non-attainment area is. Do we split that baby where it is coming from?

Mr. **Yerusalim**. Well, I am still concerned with splitting that baby, as you mentioned. If we have the flexibility to transfer from the national highway program money to the urban program, then we can handle that and we can look at it as a State. Now, Pennsylvania did, in fact, have 33 counties of our 67 counties that did not meet the requirements last year. So we are not quite in the situation that New Jersey is in. The only severe area was the Philadelphia, southeastern Pennsylvania area. But I think if you can transfer funds from the national highway program to the urban program, then you can put the money into the transit.

The CHAIRMAN. Therefore, the issue—if the gentleman would yield further—the issue of transferability and flexibility, and the two are not the same, by the way. They cannot be used as the same particular—they do not mean the same. But transferability and flexibility gives the state the opportunity to direct its attention with the Clean Air Act demands to do certain things in mass transit and highways. So the widest part of flexibility in that direction, I think, is important to you.

Mr. HAMMERSCHMIDT. Rosa, would you yield?

Ms. DELAURO. Yes.

Mr. HAMMERSCHMIDT. Just to reiterate the point because this is something we are really going to be discussing. Almost half of your counties are non-attainment counties. And yet, you say, with 25 percent flexibility out of the NHS pool of money, that would be sufficient to help you meet compliance in those non-attainment areas?

Mr. YERUSALIM. I think you said 25 plus 10, if we could show the——

Mr. HAMMERSCHMIDT. Plus the 10 percent?

Mr. YERUSALIM. So that is 35 percent, plus the money that is already in the national highway program, plus the transit program. Plus, we are dealing with the transit program in Pennsylvania as a State also. The Governor is, you know, very seriously considering the transit program in Pennsylvania. The tripling of State funds is significant over the last ten years. But as we finalize our budget in Pennsylvania, my Governor has the same problems that you members of Congress have.

You have all these competing needs with the recession. The Governor had asked for $2.5 billion in new taxes, and he had not even discussed anything for transportation in that $2.5 billion. But I can assure you, he is thinking about transportation and he is thinking about the transit system in the Philadelphia area and he is thinking about the transit system in the Pittsburgh area, and they are all on his mind. And I think that we can work it out through the proposal, you know, that we discussed 35 percent flexibility, plus the fact that we would have an urban program also.

Mr. HAMMERSCHMIDT. Thank you very much. Thank you for yielding.

Mr. KOLTER. Mr. Secretary, I want to thank you and your panel for your fine testimony here this morning. I do have additional questions, as I stated earlier, I will submit for the record.

Mrs. BENTLEY. I will have some, too.

Mr. KOLTER. And so will Mrs. Bentley of Maryland.

Thank you very kindly.

Mr. YERUSALIM. I will just close by saying I wish Representative Geist had told me of his problem because I will be back in Harrisburg in about an hour and ten minutes. He could have easily made his meeting just by going with me. We could have had a great discussion about railroads.

Mr. KOLTER. We will have better plans next time.

Mr. YERUSALIM. Thank you very much.

Mr. **Kolter**. We have been joined with two additional members on the Committee of Public Works and Transportation, the illustrious Chairman of the Subcommittee on Aviation, Jim Oberstar of Minnesota. And also Nick Rahall of West Virginia who now has a very important task.

Mr. Rahall.

Mr. **Rahall**. Thank you, Mr. Chairman. I want to first express what a pleasure it is to be in your Congressional district. You are a very effective and strong Chairman of our Economic Development Subcommittee. I think these hearings today on the effective federal economic development policies and how we can better relate them to our transportation infrastructure needs are very important hearings.

I do have a prepared statement that I would ask unanimous consent that it be made a part of the record this morning.

Mr. **Kolter**. Without objection, so ordered.

Mr. **Rahall**. And I do have the high honor to be able to introduce to the Subcommittee the distinguished Governor of our State of West Virginia, the Honorable Gaston Caperton. The Governor today will be testifying not only on West Virginia's significant needs with regard to how well Federal economic policies are working in our State, but significantly on what our continuing ARC funding needs are in connection with our ability to complete the Appalachian Development Highway System.

Prior to his election in 1988, Gaston Caperton's entire career had been devoted to building a small West Virginia business into one of the nation's 15 largest insurance brokerage firms. Last year, Caperton tackled his new role as West Virginia's chief executive with the same energy and vitality that made his company a national success.

In just a year and a half, Governor Caperton has initiated some of the most dramatic improvements the state has ever seen. Shortly after taking office, the Governor called for and gained tough new ethics legislation and restored fiscal integrity to a state government on the brink of bankruptcy. Since January 1989, he has brought the state from a $500 million deficit to a budget surplus of $70 million.

The Governor has made education his first priority for ensuring a brighter future in West Virginia. Through his leadership, teachers have received a three-year, $5,000 pay hike and retained their health and retirement benefits without a premium increase. He created the School Building Authority which will begin $100 million in construction and renovation projects this year and introduced a new computer-based, basic skills education program that will put a computer in every kindergarten and first grade classroom starting this fall. The basic skills program is the largest of its kind in the nation.

Governor Caperton's "Blueprint for Jobs" and his Partnership for Progress approach to economic development are also paying off for West Virginia. His regional Partnership Councils are bringing together leaders from business, labor, education and government in a community-driven program for creating jobs.

I would like to say in introducing the Governor that he is one that knows very well our needs in West Virginia. He is one that has brought very strong leadership to our Governor's chair in our State of West Virginia. He comes from a business background, and he has pursued that same vitality and tenaciousness in the political realm. He has brought our State back from economic disaster to where we now have a surplus in our State budget. He has brought integrity back to our State government, and we are very proud of the job that he is doing in our State of West Virginia. He is not only an excellent Governor, but is a close personal friend of mine, and I indeed am happy to present to the Subcommittee this morning, Mr. Chairman, the Honorable Governor of the State of West Virginia, Gaston Caperton.

Mr. KOLTER. Thank you, Nick.

[The prepared statement of Mr. Rahall follows:]

STATEMENT OF HON. NICK J. RAHALL II, OF WEST VIRGINIA

Mr. Chairman, I am pleased to be able to participate in this hearing in Representative Joe Kolter's District. Joe Kolter is a very dear friend and an effective and tenacious worker on behalf of his people. I want to hear the expert testimony today on how effective federal economic policies are, and how we can better relate them to our transportation infrastructure needs.

I am doubly pleased to be able to introduce the Honorable Gaston Caperton, Governor of West Virginia, as he testifies today not only on West Virginia's significant needs with regard to how well Federal economic policies are working in WV, but specifically on what our continuing ARC Funding needs are in connection with our ability to complete the Appalachian Development Highway System.

If the new direction in which we are taking highway reauthorization is to result in an "intermodality transportation system of national significance" to quote our esteemed Chairman, Mr. Roe, then we must pay attention and listen to our own people when they tell us what state and local requirements are.

I urge my colleagues to listen closely to Governor Caperton's testimony, for he not only knows how to improve and enhance our transportation system, he has a personal and intense knowledge of the imperative to connnect our highways, mass transit, inland waterways, rail and airports. If the connectors aren't there, then nothing works.

I have introduced a bill to place funding for the Appalachian highway corridors under the federal-aid highway legislation for the first time in its history, and I'll give you two good reasons why: First, people in Aplpalachia pay the same user fee into the Highway Trust Fund that other highway users in the rest of the country pay—yet they are not receiving highway completion funds from the trust fund. Why not? No one asks a driver who pulls up to a gas pump in Appalachia whether he or she intends to use the gasoline to drive on federally funded highways, or solely on roads in Appalachia. He pays his 14 cents just like everybody else, but he doesn't get a dime back from the Trust Fund.

Second, the 20 million citizens who live in Appalachia, including a portion of Pennsylvania, have now waited 25 years to complete their highways so that they are connected to the rest of mainstream America. Appalachia has waited 25 years, only to be told that under the current trickle-down funding mechanism for ARC, it won't be until 2065 that the Appalachian corridors are completed. Highways of National Significance, which I strongly support will become Highway of National Insignificance, Mr. Chairman, if 20 million people living in isolated Appalachia have no way to get to them.

By replacing the now completed interstate system with highways of national significance, and if we allow State and local planning and development officials to have input in designating what is significant and what is not, we may truly have embarked upon the path of connecting our interstate system with the roads that feed those interstates, including from rural America. We will also have enabled them to assure that opportunities for economic development will not only be an integral part of rebuilding our transportation systems, but that such economic development will be suitable to local economic development needs.

The ARC funding bill that I have introduced would place the Appalachian Highway System under the Federal-aid to Highways program for the first time in its history, and calls for $2.36 billion out of the Highway Trust Fund to complete that system.

Appalachian doesn't have—cannot wait—another 75 years till the year 2065 to complete this system. Not many of us will be around to help cut ribbons.

We must put Appalachia back on the Map, Mr. Chairman, and consider the 20 million souls who live there. Fathers and Mothers in Appalachia want the same dream for themselves and their children as the rest of this country—a decent job, decent wages, decent housing and an equal opportunity to educate their children.

Governor Caperton's testimony will show you in many, many ways how the dollars in WV, and I am confident about the other 12 states, have been spent to benefit the 20 million people living in Appalachia. The problem has not been that the money isn't needed or isn't wisely used. The problem has been, over the past decade or more, a severe cutback in ARC funds and efforts to terminate the program.

Mr. Chairman, there are 23 Members of the Public Works and Transportation Committee who represent Appalachian States. Those States are WV, PA, GA, TN, VA, MD, NY, Ohio, Mississippi, KY, N.C., S.C., and Alabama.

I repeat Mr. Chairman, that our new highways of significance cannot be called that unless we connect all of the United States to the system.

The term Intermodal won't mean a thing, if Appalachian citizens still have no road out—no way to seek jobs or travel to them; no way to move commerce outside their borders. Intermodal means many things—but to me it also means connectors—it means linkages.

Whatever the final version of our highway reauthorization/mass transit bill is, we must bring balance into federal transportation policy. If we don't, then we are increasing rather than decreasing the isolation of rural America, and failing to give our rural economy a better chance to compete on an equitable basis.

To make every effort to complete the Appalachian Highway system, and to do so at the same time we improve and enhance our nation's major highway system would connect 20 million people from 13 states and 398 counties to mainstream America. Don't think of Appalachia as some remote region that is somebody else's problem. It is our problem.

Mr. Chairman, I welcome the witnesses to today's hearings, and especially Governor Caperton from my own State of West Virginia.

Mr. KOLTER. Welcome, Governor Caperton. Welcome to Beaver Falls, Pennsylvania. Please proceed.

TESTIMONY OF HON. GASTON CAPERTON, GOVERNOR OF WEST VIRGINIA

Gov. CAPERTON. Chairman Kolter and Chairman Roe, it is my real pleasure to be here, and it is always nice to be with Congressman Rahall and I appreciate that nice introduction. I hope everybody at home hears that.

I am presenting to your Committee a written program which is in great detail. But recognizing your precious time, I will make this report somewhat shorter.

First of all, I think that it is—I would like to recognize the fact that so many members of your Committee are here today, and I think it testifies to the importance of the Appalachian Regional Commission.

I also would like to say to Federal Co-Chairman Jackie Phillips that we are very, very pleased, and I think I speak for the other—12 other States of the work that she has done. As you know, when she came here, the year before she came and years before, we have gotten zero dollars. The first year she had in the federal budget—and we would like to give her a little credit—$50 million and this year, 100. So Jackie, we are expecting big things from you next year so these gentlemen do not have to work quite so hard.

First and foremost, the ARC has worked and is working. Since 1965, the Appalachian Regional Commission is meeting—is moving our States in the right direction. A very wise man once said, "It is not always so important where you are, but the direction in which you are going." And without the help and support of ARC, certainly, we would not be moving in the right direction in the Appalachian region. I can remember when we began that roads were few and those that we had were in bad shape. And we are solving that problem, much with the help of the Appalachian regional system.

In 1965, the basic health care was a distant dream for most Appalachians. Today, with ARC's help, we are making progress. But I might add, we feel there is a long, long ways to go.

Mr. Chairman, there is much that we are proud of, and my written testimony contains many examples of ARC examples and successes. But all is not well. And I would like to focus for a moment on what we believe needs to be done.

You know that for every single year in the Reagan Administration, the budget allocation proposed by ARC was the same, and that zero figure was not acceptable. Every year, Congress has come to the rescue to keep ARC alive. Although we have not gotten, as all of you know, what is needed. Certainly, what you have gotten has been critical to our area.

I would like to just share with you a moment a personal example that I experienced a few months ago when I visited a small community in Congressman Rahall's district. This was a community of some 25 families—many of them single-parent mothers. I went there not as an event that would bring press, but as a very quiet event where I had a chance to just sit down one-on-one with the members of that community to learn.

We started that trip by just walking through the community. And many of the yards were filled with water. The infrastructure of that community was inadequate, to say the least. The mothers that talked to me as we walked along were concerned with rats and roaches and snakes. The housing conditions were something that none of us would believe should be going on in this country. When I finished that meeting, I went back and met in their small church. The first lady who spoke and spoke very articulately, talked about the problems that she had about getting a job. And those jobs circled around health care. She said that if she got a job, she would lose her health care card that comes with Medicaid.

And let me give you a quick example of what that means in West Virginia. The average family in West Virginia gets about a $300 check. They get $200 for food stamps, and their health card today is worth about $400. These people—this woman was deeply concerned with her health care.

When you went around the room, you had many more examples of the same kinds of concerns—concerns of a inadequate infrastructure. Sewers and water systems that they needed in that community. Housing that they needed in that community. And you wonder when you look at that what opportunities the young children that come out of those conditions have as they approach school. I will give you an example of this. I feel very deeply and I know you feel deeply. I think it is only a small example of the work that needs to be done and the reason that the Appalachian Regional Commission is in existence.

It is in existence to help people and to care for people that are people who need a push and a shove. Not people who want to be in those kinds of conditions. Not people who do not have the desire and energy to get out. But their car is in the ditch, and until that car can get on the road, they do not have much of a chance in life. ARC is not a welfare program. ARC helps Appalachians help themselves.

We need to complete the Appalachian Corridor highway system. But if States like West Virginia make painful and difficult commitments, like an extra nickel on our gasoline tax to build roads, we need support and not dwindling support from that federal highway system. Because these roads are crucial links to the future for the people who live in Appalachia.

The proposed Surface Transportation Act of 1991 is one which concerns us deeply because we do not believe that it will be helpful to those in Appalachia. If you would drive along those corridors which are now near completion or have been completed in West Virginia, you could feel and see immediately with not great study, the impact—positive impact it has had on the people in those communities.

Whether it is tourism or industry developing because now it can ship its goods in and out, those highways are critical and must be continued.

I would like to give you another example of what ARC has meant in West Virginia in economic development. In the Clarksburg area of West Virginia, the local leaders in those communities knew how important it was for them to diversify their economy. They received an ARC grant of almost a million dollars. And that was put together with Economic Development Administration funds of $1.4 million. Those funds generated $12 million in private investment. Today, because of those seed funds from ARC, there are 419 people working in jobs—not minimum wage jobs, but good jobs with good benefits.

Also, obviously, there were numbers of construction jobs that preceded those 419 jobs. Now, they have become a new and powerful economic base for that community.

The issue that is critical here is one of funding. The needs of the people of Appalachia are clear. They need better jobs and a better life. And in order to get that, they need better schools, better health care and improved infrastructure. Without the help and support of ARC, this cannot happen. We must continue our efforts to rebuild Appalachia.

There is much talk today about support to rebuild other parts of the world—whether it is in the Middle East or it is Russia. We hear those comments over and over. I say that our problems are at home. Appalachia needs to be rebuilt, and we need your continued support in that effort. Thank you very much.

[The statement of Gov. Caperton appears on page 132.]

Mr. KOLTER. Governor, thank you very kindly for your heart-felt statement. Governor, your State, like my State, have many beautiful scenic routes. How big is tourism in West Virginia, and how, in fact, can you use ARC monies to promote tourism?

Gov. CAPERTON. It is critical to us in two ways. First of all, tourism is our fastest growing industry in West Virginia. And like your area, it is, we feel, one of the most beautiful States in the country. But people have to get in and have to get out. And people have to be trained. So, what is important to us is the continued development of the Appalachian highway systems. And you can see already the tourism development along those highways have been significant. Also, ARC has been helpful to us in training people to have the skills so that we can have our own people working in the tourism industry. And ARC is critical and important to that.

Mr. **Kolter**. The Chair recognizes Congresswoman Bentley.

Mrs. **Bentley**. Thank you, Mr. Chairman.

Governor, I am very delighted that you are pleased with the performance of Co-Chairman Phillips, since I was her principal sponsor for that position. So I am glad she is performing well.

Gov. **Caperton**. Well, I am glad we are not doing that.

Mrs. **Bentley**. I also happen to have a couple of people on my staff who have homes in West Virginia, so I have followed West Virginia very well.

I agree 100 percent with you that we need to spend money at home. I have made that statement here this morning, and I said it last night. I think we should. I will have some questions to submit to you.

Gov. **Caperton**. Yes, ma'am.

Mrs. **Bentley**. And I thank you.

Gov. **Caperton**. Let me say, Congresswoman Bentley, that I am very pleased with the support that we are now getting from our two United States Senators and four Congressmen, they are doing a whale of a job today.

Mr. **Kolter**. The Chair now——

Mrs. **Bentley**. I know Mr. Rahall is a tremendous guy and he has been a good friend to me. We have worked together on a number of things and he is delightful to work with on top of it.

Mr. **Kolter**. The Chair now recognizes Mr. Rahall.

Mr. **Rahall**. Thank you, Mr. Chairman.

Governor, I commend you on your very powerful testimony this morning. You have shown an empathy with the real needs of our people in West Virginia.

To refer briefly to the comment just made from the Distinguished Gentlelady from Maryland, I would note also that during those decades of the Reagan years, we were trying to complete the interstate system in West Virginia. And a great deal of our priority and a great deal of our dollars went to that very expensive undertaking—much more expensive than in other States of this Nation. We now have completed that system with those roads open, and so, we are happy to have that behind us and be able to turn our needs to the other roads that you have testified to.

Gov. **Caperton**. We are also pleased that some of her people are living in West Virginia.

Mr. **Rahall**. That is correct. We are.

You know, an individual from Appalachian States and we have 23 members of our full Committee, Chairman Kolter, that do represent Appalachian States. West Virginia happens to be the only State that has all of its boundary within the Appalachian region. But we represent in those 13 States some 20 million people. And when an individual goes to buy a gallon of gasoline in the Appalachian States, that 14 cents of tax that he or she pays goes into the highway trust fund. And yet, that individual was not asked at the gas pump, "Are you going to drive a federal highway, or are you going to drive the Appalachian Corridor system?" And that individual does not get one penny of that tax or one dime back out of the highway trust fund for use in our Appalachian Corridor system for use in our roads in the Appalachian system that you testified we so desperately need. So I think it very important that we do recognize that fact and that the people of Appalachia do not have connector roads. They do need linkages to the main arteries of our system of transportation in this country.

We talk about highways of national significance. And while I strongly support that concept and support what we are trying to do in our highway bill, they could very well become highways of national insignificance if we do not have the connectors and the linkages and if we do not have the roads to get our people to that—to our interstate system.

Our Chairman of our full Committee—a distinguished gentleman from New Jersey, Mr. Roe, talks about intermodalism, a concept that I fully support, and he is right on target when he talks about that. But intermodalism must also include the people in rural parts of our country in their efforts to try to get to the main systems of roads. So I think your testimony has been right on track in comment—in linking the needs of the people of Appalachia to the main markets of our country.

You referred, Governor, in your testimony, to the nickel a gallon gas tax that was imposed on our State and its commitment to roads. I guess I would have you, if you would, just expound on that just a bit for the Committee's knowledge and where that money was dedicated to. Was it the Appalachian Corridor system or roads in general?

Gov. CAPERTON. In the last two and a half years, we have built and paved more roads that we have had in any other two and a half years in the State's history. And in order to do that, we just needed more revenue. That revenue is used to—as matching funds in our Appalachian system and it is also used in our general highway fund. So it is used in a broad base. But, it was essential in order to build that infrastructure which we think is essential to creating jobs and economic development.

Mr. RAHALL. I salute you for that action. I think it shows that our States are not just sitting back and waiting for help from the Federal Government, rather, they are taking the initiative and making whatever commitments they can with limited budgets to get the ball rolling. Thank you, Governor.

Gov. CAPERTON. Yes, sir.

Mr. KOLTER. Thank you, Nick.

The Chair now recognizes Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Thank you, Governor Caperton, for your fine testimony. And because of time, I am not going to ask any questions.

Let me just comment that through the years, as we have watched the Appalachia program perform its service, we are not unmindful of West Virginia—the pivotal State in Appalachia. Because Nick Joe Rahall has had us down to Huntington and up and down the river, and I am glad he is on our Committee because he keeps us apprised of your needs.

Thank you very much for your time.

Gov. **Caperton**. Thank you, sir.

Mr. **Kolter**. The Chair now recognizes Chairman Roe.

Mr. **Chairman**. Well, I too, want to thank the Governor for his splendid testimony. And I was thinking to myself while you were testifying, there are three people that are sitting here who chaired this subcommittee, including the existing Subcommittee Chairmen. I chaired that subcommittee, and so did my good friend from Minnesota. So, when we look back on what has happened in Appalachia—notice the pronunciation Appalachia—I am from New Jersey. We say it a little differently. But the—I think you successfully got across to the people in the country the importance of being helpful in your area.

And I think the point that Nicky Rahall makes that—and you have expressed concern about transportation legislation and rural States in your testimony. For you said, "In West Virginia, the current"—and I am quoting, "illustrative system does not adequately reflect highways of significance—roads related to coal production and delivery to markets should be considered." That is a highly significant statement because in the other States we have been visiting, they made the point that if you were fortunate enough to have a rail system that was built in the late 1980s and you were fortunate enough to be on the interstate at this point, or you had a harbor or you had an inland waterway transportation system, you had—some economic dynamics were there. But if you did not have those phenomena, then you could not develop your State and you could not develop the towns and regions affected. So, I think that is a highly significant point you have made and it will be considered as we write this legislation.

I want to thank you very much for your time.

Gov. **Caperton**. Thank you, sir.

Mrs. **Bentley**. I would like to ask the gentleman to yield for a minute.

Mr. **Kolter**. The Chair yields to Mrs. Bentley.

Mrs. **Bentley**. I might point out to you, Governor, that the Port of Baltimore has served as the export State for Virginia for a long time, an export port for the coal mined from there. I long have pushed on the railroads to provide decent rail rates in order that your coal will be competitive in overseas markets, so we do have a very strong linkage to your State through Baltimore.

Gov. **Caperton**. Yes, ma'am.

Mr. **Kolter**. Thank you, Mrs. Bentley.

Do any members require additional time? Mr. Oberstar.

Mr. **Oberstar**. Thank you, Mr. Chairman.

Governor, it is good to see you and good to see the strong leadership that you have given to the Appalachian Regional Commission program in the very brief time that you have been Governor. Your statement summed up the heart of the issue in Appalachia—the people.

Your own personal witness of meeting with small groups of people throughout your State is something that touched me very deeply.

During the years that I chaired the Economic Development Subcommittee I visited throughout the region. It is the people who give this region character and strength and for whom these programs exist. Let us never forget these are not institutions that we are dealing with. We are dealing with the needs of people, building them and helping them forge a better life. And your very sensitive and thoughtful comment about the conditions under which people live touches me and shows me that you really sense the purpose of this program, and why we need to continue the initiative so well begun.

At the outset of the Appalachian Regional Commission program under John F. Kennedy, the region's average per capita income was 45 percent that of the national average. After 20 years of Appalachia, it had moved up to just about 85 percent of the national average. And then came the years beginning 1981 when the first budget of that new administration proposed to eliminate Appalachia altogether and the budget was cut significantly. And concurrently with the reduction in funds and the national recession that occurred and affected Appalachia, the income began to dip again.

Now there is talk, as that program has been moving back up slightly—talk of finishing up Appalachia. I do not know that the work of the Commission ever will be finished up. But in the gross areas of the backbone highway program and the non-highway—that is, the health care, the educational programs, the vocational technical institute developments which have been so significant throughout the region and the housing needs. Where do you envision the funding needs to come from, the priorities to be set; and at what level and for what period of time for the future of the Appalachian Regional Commission program?

Gov. CAPERTON. Well first of all, as you know, we have significant dollars needed to finish our highway program. We have a great deal more infrastructure needs. Health care needs are significant and so are education needs. And I think it is very clearly that that is where we need to focus our attention. And I think that to underestimate the competitiveness of the world we exist in today and to think that we have an adequate infrastructure, not only in Appalachia, but all over the country—I mean, we have got to rebuild our infrastructure in this country if we are going to be competitive. And we are starting at the bottom of the row in many parts of Appalachia, so we have got a long ways to go and we have got to get that extra help to get us moving.

If we do not do that, one of the programs that you have helped us in originally was a program to put computers in our elementary schools, which we tested, to teach kids the fundamentals of reading, writing, arithmetic and computer literacy. As a follow-up to that now, West Virginia has made a commitment to put computers in every kindergarten and first grade throughout the State. We have got the biggest commitment to using technology in education of any State in the country. And those kinds of commitments are expensive. We made a ten-year $70 million commitment to technology and education in West Virginia. And we need those kind of Appalachian funds to help us get our kids caught up so they can compete in the world in which we live.

I have just come back from Japan on an economic trip to encourage businesses to invest in West Virginia to create jobs. And when you look at the infrastructure that exists there and you look at the education system that looks—that we compete with there, you know those are the areas that we have got to really focus on in this country.

Mr. **Oberstar**. Certainly, to be competitive, we have got to do at least as well as the Japanese who are planning some $300 billion a year in infrastructure investment.

Closing, Governor, I would like to recall words that have stuck in my mind since a hearing we held in your State on the Appalachian Regional Commission programs by Tilda Kemplen, who was director of a child development center in Tennessee. She said, "Gentlemen"—she told about the program 6,000 children had gone through who had a start in life that they would not have had otherwise—without these funds, without this program. "When you go back to Washington, try to look over the top of the dollar. Do not see George Washington. See a child. When you get there, think about us." That is what we are trying to do.

Gov. **Caperton**. A powerful statement. I will just say one thing that happened to me in a day care center. I asked the woman who ran that what her biggest problem was. Congressman Rahall, it was in your district. And she said, "The main problem we have is children get so sick that they are out two or three weeks for what should have been a cold in which they could have gotten a pill." Lack of health care meant that that child ended up having pneumonia and only went to the hospital when they were so sick that they could be admitted into a hospital. That says the same thing that you just said.

Mr. **Oberstar**. Thank you, Mr. Chairman.

Mr. **Kolter**. You are welcome, Jim.

Governor, this Committee is truly delighted to have you here today. Once again, we wish to thank you for your timely message.

Gov. **Caperton**. Mr. Chairman, it is nice to be here and nice to be at your college. It is certainly a beautiful setting to have such a meeting, and I appreciate being able to represent the other Governors for this meeting. Thank you very much.

Mr. **Kolter**. Thank you, Governor.

The Chair now calls Nancy P. Hollister, Director of the Governor's Office of Appalachia for the State of Ohio and Alternate for Governor Voinovich to the Appalachian Regional Commission.

While she is arriving at her chair, I have something to do at this time. Mr. Oberstar, we had a traffic jam the other evening. It seems that the Penguins defeated the Minneapolis North Stars in a hockey game and they became national champions. In view of that fact, we decided since I represent Pittsburgh and the lucky Penguins—or the great Penguins—and you represent the losing team, the least I can do is offer you a beautiful jacket or sweater featuring the Penguins.

Mr. **Oberstar**. I was hoping I would get through Pennsylvania without anybody remembering this. [Laughter and applause.]

Mr. **Oberstar**. I promise to wear this in Washington, but never in Minnesota. I will be attacked. Thank you.

Mr. **Kolter**. You are welcome, Jim.

The Chair recognizes Mrs. Hollister.

TESTIMONY OF NANCY P. HOLLISTER, DIRECTOR, GOVERNOR'S OFFICE OF APPALACHIA FOR THE STATE OF OHIO AND ALTERNATE FOR GOVERNOR VOINOVICH TO THE APPALACHIAN REGIONAL COMMISSION

Ms. **Hollister**. Thank you, Mr. Chairman, and good morning to all of you.

As the Chairman stated, my name is Nancy Hollister and I serve as Governor George Voinovich's representative to the Appalachian Regional Commission. My comments this morning will focus on ARC. But additionally, Ohio wishes to offer for the written record a statement of Ohio's positions on the Surface Transportation Act. However, due to some surface transportation complications, that testimony is en route and will arrive this morning. So, we will submit it for the record. But my focus this morning is on ARC.

Over the last 20-plus years, the State of Ohio has received over $250 million in Appalachian Regional Commission funds. Those funds have been used to build schools, health centers, highways, water and sewer lines, access roads—and the list and the variety goes on and on. That is because ARC funding is extremely unique. It combines human infrastructure with the basic bricks and mortar infrastructure and it does so with less regulation.

The Federal Appalachian Region in this country contains 13 States, and Ohio has 29 counties in the designation. In our 29 counties, we make up one-third of the land mass of the State of Ohio, and yet, we have less than one-third of the population. And in certain areas in our Appalachian region, we have experienced limited progress, but there are numerous problems and incredible obstacles yet to be overcome.

But I must tell you that in Ohio's Appalachian region, there is an incredible sense of pride in our history and in our heritage. And believe me, there is fierce determination in planning for a positive future. But I must stress that that positive future will only happen if the continuation of the unique and successful partnership that has worked so well between Federal ARC, the States and the local governments must be continued.

In presenting testimony this morning—aside from the written testimony that I have already submitted, but trying to paraphrase that testimony—I do so with full knowledge of the needs of Ohio's Appalachian Region. Because until three months ago in a former life, I was the Mayor of the City of Marietta, Ohio for over seven and a half years. So from my personal experience, I can emphatically state that to try and take the pieces of the puzzle to create economic development and improved quality of life, education, health care—to take those pieces and try and put them together to make them fit with severely restricted resources is an incredible thing to try and accomplish. And yet, the availability of ARC funds in leveraging local and State dollars has allowed us to make some progress.

I listened last evening as you as Committee members talked about your visit to Aliquippa, Pennsylvania and the incredible problems that they face. And to take nothing away from that community's problems and the severity of the future they face, I feel that I can state that the problems that you talked about with city officials and what you visually saw in Aliquippa are an example of what cities and villages in the entire Federal Appalachian Region face every single day.

An example of this for Ohio would be in our Appalachian counties. As a result of the Clean Air Act and the implementation of that Act, we may face the complete elimination of our coal industry in the Appalachian Region. That will mean the loss of thousands of jobs, and we could face economic devastation. And I can tell you that ARC funds will be extremely important as part of our strategy as we try to design something to mitigate what we feel could be a pending disaster.

And in closing, I would submit to you that as leaders and citizens of the Appalachian region, we can be competitive through the continuation of programs like ARC. Because I personally believe that ARC is a critical component to the quality of life and economic viability of Ohio's Appalachian Region. Thank you.

[Ms. Hollister's prepared statement appears on page 179.]

Mr. **Kolter**. Thank you, Mrs. Hollister, for your timely testimony.

The Chair recognizes Congresswoman Bentley for questions.

Mrs. **Bentley**. Mrs. Hollister, you just mentioned that because of the Clean Air Act the entire coal industry throughout the Appalachian Region might be shut down.

Ms. **Hollister**. To be more specific, Congresswoman Bentley, in Appalachian Ohio's 29 counties, that was what I was referring to. There is a distinct possibility because Ohio's coal industry is high sulfur.

Mrs. **Bentley**. I see.

Ms. **Hollister**. And obviously, the State legislature is grasping ways to try and help the coal industry, as well as utilities and keep utility rates at a palatable level, it is extremely difficult, and we could face the elimination of that coal industry. And you are talking approximately 8,000-10,000 jobs in five years if there cannot be some sort of compromise worked out.

Mrs. **Bentley**. I know that Congressman Rahall is working very, very hard on that same aspect of the Clean Air bill and what it might do to West Virginia during those days. And there were others of us who were working on some of the other segments of it. We know we need clean air, but we also need people to be able to eat, and that is one of the things.

I appreciate your comments and I probably will be submitting some additional questions to you. Thank you.

Ms. **Hollister**. Thank you.

Mr. **Kolter**. Thank you, Mrs. Bentley.

The Chair recognizes Chairman Roe.

The **Chairman**. Well, I want to thank you, too. I think that the points you have made are excellent, and they get right to the point of it. If we had more time, I would like to be the devil's advocate, and maybe I will do it anyway.

The—one of the things we have to contend with in the Appalachia issue—which I totally support and have for years—is that other States come back and they say, "Well now, under the original founding the purpose was to get our people back to work and stimulate economic development in an area where there was very high levels of unemployment." In your testimony you say that we have provided over the years $250 million in federal funds to Ohio to match State and local dollars. So that was $250 million that came out of, obviously, other places in the budget, if you want to call it that way. And then, we come back and on page two, you comment about passage of the Clean Air Act and the problems it could cause to Ohio's coal industry, which I thoroughly understand. But then, you come back and say that members of the delegation from Ohio are highly concerned about the minimum allocation of transportation funds and would want—of course, you were a donor State.

So we have before us in the transportation issues an enormous confrontation. Those States that are donor States and those States that are not donor States. My State is a donor State. We come back, and then, they say to us, "Yeah, but by the same token, you folks put the ARC program through. Yes, it has been a great success, but we put $250 million into that program which did not cover our State." How do we answer that?

Ms. HOLLISTER. Well, Mr. Chairman, first of all, I would say that in stating $250 million, we are talking spread over a 20-year period.

The CHAIRMAN. Oh, I understand that.

Ms. HOLLISTER. You know, which is interesting when you make the statement. You forget about the 20–25 year spread.

The CHAIRMAN. Oh no, I saw that.

Ms. HOLLISTER. But right now, the State of Ohio receives approximately $5 million to be spread over 29 counties, and that is subdivided between highways, distress county allocations, access roads, as well as projects. So, to me, the uniqueness and the positiveness of ARC funding is that we can take a small amount of money—and quite frankly, when you look at that allocation over the geography, you can leverage and get more done.

The CHAIRMAN. I know, but if the gentlelady would yield. I understand. I helped write that legislation. Where I am coming from, how do we say to the donor States, "Hey guys, we really have a national system that is involved and we have got to look nationally." The general rhetoric now is the interstate highway situation is over. Everybody has declared it done and so forth. And now, we have the battle that emerges on donor States versus user States. Now, the donor States are coming back and saying to us, "Hey, too bad. We want to spend more money in our own particular States. Why should we have to be paying for States that do not have the resources for building additional highways?" If the interstate system is done, then have we not finished that obligation?

The recipient States come back and take the point of view, "Well, because we are usually larger geographical areas, we need additional help to help us maintain our system." Now in equity and fairness, what should we do?

Ms. HOLLISTER. Well, I think fairness is an interesting issue in this. We talk about the interstate system being finished and you look at Appalachian Ohio. It covers very, very little of an interstate system. Highways are an absolute critical need. And the designation of corridors—we have one corridor in Appalachian Ohio, and it is not finished yet. And so, there is a system of fairness because the transportation simply is not there to move goods, services and people.

The CHAIRMAN. Okay. I thank the Chairman.

Mr. KOLTER. You are welcome.

The Chair recognizes Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Thank you, Ms. Hollister, for a very fine statement. I have no questions.

Ms. HOLLISTER. Thank you.

Mr. KOLTER. The Chair recognizes Mr. Rahall.

Mr. RAHALL. I have no questions.

Mr. KOLTER. No questions.

The Chair recognizes Mr. Borski.

Mr. BORSKI. No questions, Mr. Chairman.

Mr. KOLTER. Ms. DeLauro.

Ms. DELAURO. No questions. Thank you for your testimony.

Mr. KOLTER. Well, Ms. Hollister, you evidently answered all the questions. You have done a fine job. We thank you very kindly. Give our personal regards to the Governor of your State. Thank you.

The next panel will be that of Richard Shaw, Chairman and CEO of Michael Baker, and that of Francis W. Matika, Executive Director of the Beaver Valley Intermediate Unit.

TESTIMONY OF RICHARD L. SHAW, CHAIRMAN AND CEO, MICHAEL BAKER, JR., INC.; AND DR. FRANCIS W. MATIKA, EXECUTIVE DIRECTOR, BEAVER VALLEY INTERMEDIATE UNIT

Mr. SHAW. Good morning. My name is Richard Shaw. I am the Chairman and Chief Executive Officer of the Michael Baker Corporation. Baker has for many years been ranked in the top 10 percent annually by the Engineering News Record of the design consulting firms around the country. The firm was founded in Beaver County more than 50 years ago, and this ESOP company with 20 major regional offices throughout the United States and overseas has long been a major contributor to the economic development of western Pennsylvania, and more particularly, Beaver County.

I want to begin by expressing my thanks and appreciation to Chairman Roe and Chairman Kolter and to the Committee members who gave up their weekend to come to Beaver County and see first hand, not only the problems, but the opportunities.

As you are aware, in 1979, the major primary metals industry in Beaver County provided employment for more than 27,000 men and women. Unemployment was just over six percent. By 1987, this same industry provided only 3,700 jobs and unemployment peaked at almost 23 percent. While unemployment today is in the 11 percent range, the decline is attributable to large numbers of people who were early retired and have left the work force, to a significant group of people who are underemployed, to people who are participants in the construction industry—projects related to the Pittsburgh International Airport and the programs being undertaken by the Pennsylvania Turnpike Commission.

In addition to that, the region has suffered, according to the Bureau of the Census, a decline of 20,000 people in the population from 1980 until 1990.

Yesterday, you toured the new $600 million Pittsburgh International Airport, a project that is expected to be a key element for the future economic development of both Allegheny and Beaver Counties. In order that this investment be able to achieve its full economic development potential, a transportation network must be put in place that will facilitate growth and attract new industry and provide new opportunities for employment, reversing the trend that began in the early 1980s.

Regionally, there is a ten-year, $6 billion shortfall in the funding necessary to repair and to replace the existing and distressed and functionally deficient transportation network and to provide the missing links that assure the long-term viability of the economic base of our region.

As you know, there is a strong correlation between infrastructure spending and the Nation's productivity. Nationwide, our commitment to this vital economic development element has declined, while that of our major international competitors, Germany and Japan, has continually increased.

Here in Beaver County, we are fortunate to be the beneficiary of not only the airport development, but also the toll-financed extension of the Beaver Valley Expressway, Route 60, from Route 51 north to Interstate 80. This project planned, financed and constructed by the Pennsylvania Turnpike Commission, will provide new access to the airport and should foster development within the Corridor in Beaver and Lawrence Counties.

The missing link, then, remains the Mid-county Expressway or Crows Run, beginning at Interstates 79 and 19 on the north, as well as the Pennsylvania Turnpike and extending south and connecting with Route 65 in the Baden area, crossing the river in the vicinity of Aliquippa, connecting with Route 51 and extending on to Route 60.

This proposed roadway and bridge project will open up vast new areas of Beaver County for development. It will enhance airport access from Butler County in the north. It will replace a 75-year-old bridge across the Ohio River, which is functionally, if not structurally, deficient. And when connected with the Beaver Valley Expressway, Route 60, which, in turn, connects with the Southern Expressway and Findlay Connector, it will form a major segment of the planned beltway around the City of Pittsburgh.

This project was first conceived and included in a 1965 master plan for Beaver County and has long had the support of Chairman Kolter. It was his early recognition of the importance of this roadway as a significant economic generator and his backing that provided the initial commitment of Federal funds.

Beaver County continues to be an economically distressed area. The funding and the ultimate construction of this roadway and bridge are vital to its future economic well-being.

We thank you for the opportunity to appear before the Committee today to testify on behalf of this project, as well as the regional needs of our community. Thank you very much.

[Mr. Shaw's prepared statement appears on page 237.]

The CHAIRMAN. I thank the distinguished gentleman. We want to thank you for your—really, your help yesterday in our visitation at the Pittsburgh Airport project and also as we were down and looking along the Ohio River. So, we have had a chance to look at a number of these programs.

The Chair has one quizzical question he would like to ask, however. You mentioned that the company, the Michael Baker Corporation, was founded 50 years ago. Was it originally founded as an ESOP corporation, or did that come later?

Mr. Shaw. No, sir. It became an ESOP corporation in 1984 when the employees purchased the Baker family's interest in the company.

The Chairman. So, it is an employee stock ownership company that the employees are actual owners of the company?

Mr. Shaw. It is a resounding example of the success of ESOPs. It grew from a company in 1984 that had 420 employees and was working its way out of business, to a company that last year, did $127 million worth of business and had 2,400 employees.

The Chairman. Then it is growing, that is wonderful.

The Chair has no further questions. Chair recognizes the distinguished gentleman from Minnesota, Mr. Oberstar.

Mr. Oberstar. I thank you very much, Mr. Chairman and Mr. Shaw for your discussion of economic development in this region.

For me, coming from Minnesota, Pittsburgh has always been Mecca for us. We mine the ore, process it, ship it down to the great God of steel down here, and every now and then, the great God of steel would sneeze and we would get pneumonia on the iron range in northern Minnesota. So, our economy has historically been linked to yours, and when this area suffered the great decline over years, so did we. And the struggle back up has always been much more difficult.

Your description of the job loss in this region is one that is very painful to me. We have experienced very much the same thing in northeastern Minnesota. We now, however, produce almost as much iron ore as we did ten years ago, with one-third the work force, beneficiating ores at a higher rate and higher quality, improving the productivity of the blast furnace—but with fewer people. And so, the challenge for us, as for your area, has been to find replacement jobs and the stimulus provided by the Appalachian Regional Commission and the Economic Development Administration programs to help generate smaller sized diversified industry has been very significant for us, as for your region as well.

I was touched by your description of an employee stock ownership program that has rejuvenated and extended the life of an industry and made it stronger by giving workers a stake in their future.

The question I had is, did you have any assistance in that endeavor from either the Appalachian Regional Commission or the Economic Development Administration?

Mr. Shaw. No, sir. It was——

Mr. Oberstar. That was all a private undertaking?

Mr. Shaw. It was done among the employees.

Mr. Oberstar. With the ESOP legislation, the federal legislation that provides tax assistance and benefits?

Mr. Shaw. Yes, sir. The ESOP—initially, the ESOP was not a leveraged ESOP. We had a defined benefit pension plan that was terminated. As a terminated plan, it was overfunded. The overfunding was rolled over into the ESOP for the account of the employees. Subsequent to that, we took advantage of the legislation and borrowed some money and made an additional purchase of stock, but the ESOP—and the ESOP legislation and the program has been very good to our company.

Mr. OBERSTAR. Yes. A further question on the airport. We have seen throughout the United States, airports are huge generators of economic growth. The Pittsburgh Airport ranks just after that of Minneapolis–St. Paul in enplanements and in operations, and they are very close in the dollar amount of economic impact. Figures I have seen of at least three years ago indicated about a $4 billion economic impact from that airport. Do you have any current estimates or updates on that figure?

Mr. SHAW. I think the folks who will testify subsequent to me, Commissioner Foerster and others, have some current information on that for you.

Mr. OBERSTAR. I will save that for later. Thank you very much, Mr. Shaw.

Mr. SHAW. Thank you.

The CHAIRMAN. I thank the distinguished gentleman from Minnesota.

The Chair recognizes the distinguished gentlelady from Maryland who is our ranking member on the Subcommittee. Mrs. Bentley.

Mrs. BENTLEY. I do not have any questions, Mr. Chairman. I do want to thank Mr. Shaw for the tour yesterday, the information he gave us on the airport and to commend him for what they are doing here.

Mr. SHAW. Thank you, Mrs. Bentley.

The CHAIRMAN. Thank you very much.

The Chair recognizes the gentleman from West Virginia, Mr. Nick Joe Rahall.

Mr. RAHALL. No questions.

The CHAIRMAN. No questions.

The Chair recognizes the ranking member of the full Committee, the Honorable John Paul Hammerschmidt from Arkansas.

Mr. HAMMERSCHMIDT. Thank you, Mr. Chairman.

Mr. Shaw, we really appreciate the valuable information imparted to us yesterday at the airport, as well as the morning briefing we had on the highway needs in this area. I thought it was just wonderful that that $680 million project is being carried out by local talent—not only your company, but the architect, you have a "Buy America" policy—it is just a very rewarding project to see. I am very excited about it, and we appreciate being able to join you and for you being our witness today. Thank you very much.

Mr. SHAW. Thank you. We are going to deliver a picture of that project for your hearing room at a very early date.

Mrs. BENTLEY. Mr. Hammerschmidt, would you yield?

Mr. HAMMERSCHMIDT. I yield to the gentlewoman.

Mrs. BENTLEY. I do want to commend you, Mr. Shaw, in particular, for your "Buy American" position on this. I think if we persuade more and more people to be supportive of that effort and then acting positively on it, it will make a big difference in re-industrializing this country. There are too many people who just think they should go for the lowest buck. They do not care what it means to the local economy or anything. And what more and more people need to realize is that for every dollar spent in the United States, 39 cents of that goes to taxes of some form or another, whether it is local, State, Federal, Social Security, unemployment, et cetera. And that benefits, in turn, all Americans. And so, I do want to really commend you for your stand on that.

Mr. SHAW. Thank you. What I think that we talked about this morning was the leverage that has been able to—that has been generated by the federal funds on that project. It is $100-plus million of federal money, but it is a $680 million project, and it has been very beneficial to the community and to the Nation.

Mr. HAMMERSCHMIDT. You know—let me just comment since I still have the time. About the federal part of that funding, you know, as well as I do, Mr. Shaw, that those moneys come out of the trust fund, so they have no effect upon the federal deficit. So, I do not want other people in the audience out here to shudder over the expenditure of that money. That is a wise investment paid for by users of the airport and the airway system.

Mr. SHAW. Well, I appreciate your comments today and yesterday about the highway trust fund, the airport trust fund, the waterways trust fund. I am an advocate, obviously, of spending those down and using them for the intended purpose.

Mr. KOLTER. The Chair recognizes Mr. Borski.

Mr. BORSKI. No questions, Mr. Chairman.

Mr. KOLTER. Ms. DeLauro.

Ms. DELAURO. No questions, Mr. Chairman.

Mr. KOLTER. Dick, thank you very kindly.

The Chair now recognizes Dr. Matika for his statement.

Dr. MATIKA. Thank you.

Congressman Kolter, Chairman of the Subcommittee on Economic Development and members of the Committee, I appreciate the opportunity to present testimony at this hearing on behalf of the aforementioned unit which is comprised of the 15 local school districts representing more than 33,000 students.

First, I would like to take this opportunity to compliment this Committee for the genuine interest you have shown in behalf of the residents of Beaver County and Pennsylvania through your attendance at this hearing.

Your presence here today indicates that we do have legislators who are dedicated and sincerely interested in hearing comments from business, the professions and education in this Commonwealth relative to public works and transportation projects that will have an impact on the Beaver Valley communities.

The proposed Crows Run Highway Project is one highway system that will have an immediate effect on the residents of this area, not only from an educational standpoint, but economically, and the labor employment and its importance to the major interstate highway in this section of the State. In addition, it will be a vital connecting link to the new Mid-Field Terminal at the Greater Pittsburgh Airport due to open in October, 1992, via the Beaver Valley Expressway or Toll 60 highway. Historically, new highways have provided the surrounding communities with tremendous impact on the commercial and industrial activity and growth, increase in the tax base and the population factors. This population growth factor will have a tremendous impact on the educational system of the school districts in Beaver County, necessitating the planning and construction of new school buildings and the growth of educational offerings to the young residents of the area.

The new highway, and I do hope and I am confident it will become a reality, will have positive benefits in this area which has seen some tough times as a result of the decline of the steel industry in this industrial area stretching from Pittsburgh to Youngstown, Ohio. Highway projects such as this one will contribute to minimizing the economic recession we are currently experiencing in this area southwest of Pittsburgh and will spur growth which will in turn return this area to the stature that it has historically enjoyed.

The Commonwealth Turnpike Commission has released information recently that indicates $1.5 billion will be allocated for the planning and construction of projects for new toll roads currently underway in this Commonwealth. Among these are the three western Pennsylvania projects as enumerated by Mr. Shaw: The 16 miles of the Beaver Valley Expressway connecting Beaver Falls with New Castle; the 13 mile Amos Hutchinson Bypass nears Greensburg and the 60 mile Mon Valley Expressway. As a result of this planning, and if I may include the Crows Run Project, this area will have direct access to the Airport from Ohio, New York and other northeastern States along Interstate 80 and the Pennsylvania Turnpike.

In conclusion, we would urge members of this Committee to consider not only the financial and labor impact on the market, but the educational needs also. If this project gets off the planning board, the favorable effects would have a possible ripple effect, not only on Beaver County, but the surrounding region and States as well.

In behalf of the Beaver Valley Intermediate Unit, I want to thank you for your courtesy and forbearance in hearing this testimony. All of you are to be commended for your courtesy, your patience and genuine interest that has been evidenced at this hearing. Your perseverance indicates that we do have legislators who are sincerely interested in the welfare of education and business in this Commonwealth.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Matika appears on page 209.]

Mr. KOLTER. Dr. Matika, thank you very kindly for your timely statement. Do any members here have any questions of Dr. Matika?

[No response.]

Mr. KOLTER. Well evidently there are none. Again, I thank both Mr. Shaw and Mr. Matika for your testimony.

The Chair now calls up the Economic Development and Planning Commission panel: William Steiner, Tom Woodske, Clair Searfoss, George Howley and Roger Panella and Victor Leap of Meadville.

I have been advised that Roger Panella of the Lawrence County Economic Development Corporation is not here, but he has left his testimony for the record. So at this time, I would like to recognize Mr. Woodske who will begin.

TESTIMONY OF WILLIAM R. STEINER, EXECUTIVE DIRECTOR, NORTHWESTERN PENNSYLVANIA REGIONAL PLANNING & DEVELOPMENT COMMISSION, FRANKLIN, PA, ACCOMPANIED BY VICTOR C. LEAP, EXECUTIVE DIRECTOR, REDEVELOPMENT AUTHORITY OF THE CITY OF MEADVILLE, PA; TOM WOODSKE, DIRECTOR OF ECONOMIC DEVELOPMENT, BEAVER COUNTY, PITTSBURGH, PA; CLAIR SEARFOSS, PRESIDENT, BEAVER COUNTY CORPORATION FOR ECONOMIC DEVELOPMENT, BEAVER, PA; AND GEORGE B. HOWLEY, EXECUTIVE DIRECTOR, COMMUNITY DEVELOPMENT CORPORATION, BUTLER, PA

Mr. Woodske. Chairman Kolter, Chairman Roe, members of the Committee, my name is Tom Woodske, I am Director of Economic Development for Duquesne Light Company, an electric power company that serves a large portion of southwestern Pennsylvania.

My job is to function as an economic development specialist and try to influence the decisions of investors by marketing our community's resources and attributes with the goal of expanding our community's capacity to produce goods and services. Economic developers can be both from the public and private sector, but the most effective action program is a partnership of the public and private sector participants.

Today's economic development specialist functions in a global arena. Competition begins at the international level with countries touting their unique attributes in the quest of influencing or selling the international investor on the merits of their country. The competition at the international level is fierce and growing stronger every year.

Our strongest competitors like Japan and Germany are aggressively pursuing the international investor, particularly in the manufacturing sector, where the job losses have been so heavy in this area. These and other foreign competitors see the necessity in the aggressive marketing of their country. As the world's marketplace grows in size and competitiveness, attracting new investment capital, and thus stimulating capital formation and job creation, is one of the key components in increasing the productivity of a nation and thus the wealth of its citizens.

Tax laws, monetary policy, immigration laws, regulatory policy, fiscal policy and environmental regulation are all matters basically controlled at the federal level and they impact capital formation. Getting this information out to foreign investors on how these laws, policies or regulations may impact their investment decisions is a marketing task that is currently pursued by our Federal Government in a very fragmented manner. At present, our Nation seems to be complacent in relying on our number one status to track new investment into the United States. We have seen this attitude of complacency topple industry after industry in the United States to our foreign competitors. This attitude of complacency must not continue to pervade our Nation's policy of competing for foreign investment. There is no concerted federal effort or strategy specifically aimed at attracting new investment. For instance, there is not even a simple investor guide published by the United States government to show these foreign investors the easiest way to get into the U.S. market. This is the type of support we would like to see from our Federal Government.

As an economic development professional, I am not asking for new legislation, special tax breaks or other incentives. I am asking the Federal Government to use its existing network of consulates and other agencies to assist private, state and local economic development professionals in their task of making their communities more productive. In short, I am asking for a helping hand and not a hand-out.

Chairman Kolter, I wish to thank you for this opportunity to bring this matter to your Committee's attention and it has been a pleasure working with you and your staff in developing this presentation.

Mr. **Kolter**. Thank you very much, Tom.

The Chair now recognizes Mr. Searfoss.

[The prepared statement of Mr. Woodske appears on page 322.]

Mr. **Searfoss**. Chairman Kolter, ladies and gentlemen of the Subcommittee, for the sake of brevity, you have my report, I am going to paraphrase a couple of areas here.

It has been recounted, the economic history of Beaver County, the decline of basic steel, the loss of some 26,000 jobs. In order to reverse that, the Beaver County Corporation for Economic Development was established in March of 1987. Since that time, through our efforts, we have been able to create some $290 million in new private capital investment in county, based largely in the manufacturing sector. It will exceed $300 million before the end of the year. That has provided job certification of over 2,500 jobs with an annualized payroll of some $50 million.

The investment that I have referred to has been primarily because of adequate infrastructure to support those industries, both the conversion of abandoned steel mills or the reconversion into mini-mill use, plus other areas. There are five examples of these listed in the report given to you. Marion Township, through an EDA grant, matching grant of $390,000, we were able to supply water and two new companies in that area.

The New Sewickley Township Tri-County Business Park, that has been dependent on infrastructure, both water and sewer.

Port Ambridge, which was the former American Bridge plant that no longer exists. There was $4.2 million spent on an access bridge over the Conrail main line. In the meantime, this was followed by some $4.3 million in investment in new roads, water, sewer. The latest addition to this park, to show you the return on investment for infrastructure, is World Class Processing, which is investing $33.5 million in the facility.

The Ambridge Regional Center, which was the former Armco plant, now is a multi-tenant park. Over $5 million has been spent on infrastructure there and some $6 million has been spent, private sector money, on renovating the facility.

Logan Lane, which does not mean much to members of the panel, but certainly to Congressman Kolter, will connect Route 65 to Duss Avenue, which is the industrial area in Ambridge.

These are just a few examples, and I have listed others for you. I guess our concern is that we are fast coming to that juncture where the land with infrastructure to support re-use is disappearing. The basic steel mills have been converted and/or back in service as mini-mill operations. And so what we are looking at now is green field sites or virgin areas where we do not have water, we do not have roads, we do not have sewers. And when you take a look at the existing systems, the municipalities are strained beyond comprehension. There is no way that they can support the cost of providing adequate good water, sewage and the feeder roads that are necessary to support future growth.

That is our concern. We thank you for the opportunity of presenting it.

Mr. KOLTER. Thank you, Clair.

The Chair now recognizes Bill Steiner.

[The prepared statement of Mr. Searfoss appears on page 232.]

Mr. STEINER. First of all, I would like to thank Congressman Kolter for this opportunity to address the Economic Development Committee. Back in March, I had the opportunity of meeting with the Congressman and Carl Lorenz, the Congressman's staff, and I was genuinely impressed by the Congressman's desire to create new jobs in his district. To do that will require the assistance of the Economic Development Administration and the Appalachian Regional Commission, two programs which northwest Pennsylvania have effectively utilized in its economic development strategy.

Back when President Bush accepted the nomination, he talked about 1,000 points of lights. And if there are 1,000 points of light in northwest Pennsylvania, I believe 800 of these have been energized by the funding of the Economic Development Administration and the Appalachian Regional Commission.

You must understand that northwest Pennsylvania, like most of western Pennsylvania, has yet to recover from the devastating recession of the early 1980s. Our eight counties lost almost 39,000 people in the last ten years. In 1980, 42 percent of the region's work force was in manufacturing, while today it stands at 32 percent. Although this is much better than the national rate of 19 percent, we in northwest Pennsylvania are greatly concerned about the erosion of our manufacturing base.

As our better manufacturing jobs left the region, so have our better paying jobs in the health care community and the banking community. And while we have somewhat shared in the service sector boom of the past 10 years, for the most part, these kind of jobs are of lesser pay, resulting in erosion to local and county tax bases.

Because of this, we have targeted nearly every dollar—every limited dollar of EDA and ARC funds that we can obtain, to maintaining our manufacturing edge. It does not take a historian to value what role manufacturing played in the rise of the Roman and the German and Japanese and even our economy, nor does it take an economist to understand what creates national wealth and sustains the retail and service sectors.

Today, you are hearing from a lot of people, each addressing the need for additional EDA and ARC assistance. You will hear from a couple of the local industrial developers in our region who will address specifically some of the things they have accomplished.

I have provided the Committee with a brief discussion of what ARC and EDA funds mean to our region, but in a nutshell during the past 10 years, these funds have enabled us to renovate nine vacated industrial facilities for condominium use by new manufacturing enterprises, the installation of sewer service, water distribution and access to six new industrial parks, the financing of 250 low-interest, small business revolving loans to emerging and expanding enterprises, government procurement and international trade marketing assistance to over 350 companies resulting in contracts valued at over $94 million. And our evaluations—which I might add we have to go out, our Pennsylvania Department of Commerce requires us to confirm our impacts through a certified evaluation form by our industry clients. These forms verify that these programs culminated in the maintenance and creation of 8,000 manufacturing jobs and the leveraging of $58 million in private funds.

During 1991, we are seeking assistance on eight new projects which will enhance our manufacturing base, three of which I might add are situated in Lawrence County, part of our region that is also part of Congressman Kolter's district. The cliché of the 1990s is manufacturing competitiveness, the question is whether or not our manufacturing will be able to compete on an international scale. As our international competitors invest in infrastructure and transportation for their industrial growth, programs such as ARC and EDA face continual threats to their demise.

Will we be able to compete? The answer is surely no, if we are unable to provide adequate infrastructure for industries' needs. It is surely no, if the best interest rate for business financing is prime plus two points. And it is surely no, if the people expected to buy a company's products, build homes and pay taxes are making $4.50 an hour flipping hamburgers.

Northwest Pennsylvania, like most if not all of rural America, is at the crossroads of its economic future.

In closing, the impact of both the Appalachian Regional Commission and the Economic Development Administration cannot be overstated. During the 1980s the northwest region experienced high economic distress and unemployment and the ARC and the EDA programs have and continue to provide financial assistance to combat the region's unemployment problems.

Once again, funding and program cuts threaten the existence of these programs and when evaluated in terms of their impact on the total federal budget, these programs appear negligible, yet the impact in such areas as northwest Pennsylvania is indeed significant. These programs are the predominant component of our economic recovery strategy and speaking on behalf of our entire eight-county delegation, the Northwest Commission not only urges the continuation of the ARC and EDA programs, but we urge you to strongly consider increased funding for both those programs as well.

Thank you. Vic Leap, who is one of our local industrial developers would like to just briefly talk about a couple of the things they have done.

Mr. **Kolter**. The Chair recognizes Mr. Leap.

[The prepared statement of Mr. Steiner appears on page 268.]

Mr. **Leap**. Mr. Chairman, members of the Committee, first of all I would like to say that in the late 1970s, early 1980s, our city was devastated by the closing of some of our major plants.

The population of the City of Meadville is approximately 15,000 with the greater Meadville area representing around 28,000. Starting in the mid-1970s, massive plant and employment centers were shut down—Conrail with over 900 employees; Talon, 3,000; Avtex, 1,600 and Rusco, 300. The railroad diminished to about a dozen employees, Talon to 380, Avtex closed entirely and Rusco went into bankruptcy.

Our salvation since that period has been EDA/ARC projects. Without those project funds we would not be able to tell you that anything has been accomplished in the last 15 years. Instead, because of EDA and ARC funding, the Baldwin Street Industrial Park was built in 1979. Today, there are nine companies in operation at this park, 250 people employed and $10 million worth of private investment made.

The Meadville Industrial Condominium, the former Talon plant, also was the recipient of $500,000 in EDA grant, enabling us to convert an empty building to a 25-tenant facility employing 500 people with an annual payroll of eight million dollars.

We also purchased the Conrail maintenance-of-way shops and used ARC funds to renovate the building and to construct an access road into the Industrial that was built there. This park has been the springboard for many startup industries. Some were there on a temporary basis until new buildings were built. Others located there for a short time during the oil and gas boom in the early 1980s. Today, located in the park are a foundry, warehousing, 84 Lumber and Erie Bearing.

Like most old cities, Meadville's downtown core was deteriorated, blighted and dilapidated store fronts, broken sidewalks and curbs and many years of overhead electric wiring build-up. With the help of ARC and $350,000, we now have a vigorous downtown which everybody takes pride in.

With the Avtex closing, we again received assistance from ARC and EDA in the development of the Crawford County Industrial Park. The County floated a $900,000 bond issue which was used for the purchase of the Avtex facility and initial operating funds to begin development of a 1.4 million square feet industrial complex. This park has a 12 million gallon per day water system compared to the 4.5 million gallons a day that the City operates and a 12 million gallon a day sewage disposal system compared to the City system of 5.5 million gallons a day. Our sewer plant is now being considered for conversion into a regional complex for the City and two townships. Five hundred thousand square feet of space is now occupied or committed or rented. Two hundred fifty jobs are in place with a fall projection of 350 to 400 jobs and an annual payroll of $6 million. This was accomplished in two and a half years with the funding from ARC and EDA in the amount of $1.2 million.

Gentlemen, ten years ago, our unemployment rate was 22 percent. Although it is currently at 11, up until a few months ago it was as low as five. The point I am trying to make is that without these funds, where would Meadville community be? We are on the road to recovery, but a full recovery will not be possible without the continued assistance of the ARC and EDA grants.

Thank you.

Mr. **Kolter**. You make it abundantly clear that EDA and ARC are very important to depressed areas.

Mr. **Leap**. Very important.

Mr. **Kolter**. Thank you, Mr. Leap.

[The prepared statement of Mr. Leap appears on page 207.]

The Chair now recognizes Mr. Howley.

Mr. **Howley**. Thank you, Chairman Kolter, Chairman Roe.

My name is George Howley, I am the Executive Director for the Butler County Economic Development Group, a neighboring county here to Beaver. You have my testimony in front of you and I would like to highlight some of the items there.

There is no question that infrastructure is a key ingredient in the development process. It is the physical framework that supports nearly all economic activity in Pennsylvania and this region.

In a 1987 survey of 302 municipalities conducted by the National League of Cities, 85 percent of the respondents cited infrastructure improvement as a key technique to encourage economic development. Several studies have tried to measure the influence of physical capacity in the location and investment decisions of individual companies. The most comprehensive study is a Census Bureau study of 2,000 firms conducted in the mid–1970s, found that the availability of public works facilities was either of critical or significant importance in the location decision of companies.

Earlier the Governor of West Virginia spoke of jobs and the impact of public works spending. Congressman Kolter, in his opening remarks, spoke about jobs and the unemployment rate and the impact of infrastructure on jobs and economic well-being. Data produced by the Bureau of Labor Statistics and several other sources, indicate that each on-site construction job generates an equal number of off-site jobs and leads to nearly three times that number through corporate expenditures and wages. So if we assume that the Federal Government studies are correct, then a billion dollars spent on infrastructure construction of various types would produce 13,000 on-site jobs, 13,000 off-site jobs, 36,000 spin-off jobs for a total of nearly 63,000 jobs.

We talked about funding and there have been statements made earlier about the importance of funding the level of programs we have. However, in 1985, a Congressional Budget Office analysis estimated that reducing the Federal match for secondary waste water treatment facilities from 75 percent to 55 percent also would reduce the level of State needs. By reducing the funding at the Federal level, there is a tie-in to reducing the funding at the State and local levels. That funding level was a reduction of nearly 30 percent in the State of Pennsylvania.

Additionally, I would like to point out that a study by the Joint Economic Committee of Congress documented some deficiencies in physical capacity now constraining economic growth in our area. A study pointed out that 350,000 of the Nation's highway bridges are classified as deficient or obsolete. Poor conditions are the norm, not the exception, on the Nation's primary and secondary roads. Coming from the County of Butler that is a mix of rural and some urban areas, I can stress that the roads, the transportation system, is extremely important to us.

It also was pointed out that one-fifth of the Nation's subway cars are now more than 25 years old, more than half their intended life. Deteriorated rail facilities are causing accidents and frequent delays in freight shipments.

Even these difficulties are now facing younger cities with basic services near or at capacity problems. A Department of Commerce survey of 6,870 communities reported that 46 percent of them could permit virtually no industrial expansion because of inadequate water and sewage system capacity. Another quarter of the Nation's jurisdictions find their ability to attract new business and related development weakened because their roads, streets and other necessary public facilities are worn out, obsolete or already operating at capacity. In short, this could affect our international trade on the local level here with the Pittsburgh Airport.

This area of western Pennsylvania is lucky to have the Southwestern Regional Planning Commission that exists to assist in infrastructure planning. However, in their data and a lot of the studies that they have produced, it is easy to point out that local governments face non-financial difficulties also.

Infrastructure planning policies and procedures are inadequate or misleading in some cases. Some areas lack a single capital budget that includes all types of these investments. Capital budget expenditures often are not subject to performance evaluations or required to meet the test of utility or need. On a project basis, accurate projections of future maintenance availability for operations and maintenance may be understated or ignored, sometimes I believe deliberately, to make an easier sell of large capital projects.

In summarizing the importance of infrastructure, especially to western Pennsylvania, and the tie to the infrastructure to maintenance and repair of our existing facilities, I would like to point out that Federal programs affecting infrastructure significantly have been reduced since 1980. They need to be increased. The Office of Management and Budget in recent testimony to Congress emphasized that State and local governments must be responsible for funding infrastructure that does not provide a direct national benefit. Moreover, current Federal policies favor new construction over maintenance or rehabilitation. Federal categorical matching grants now channel State funds to new public works construction. The challenge facing this Committee is structuring public programs to ensure that financing for development of new road, bridges and other systems does not drain resources away from investments in operation and maintenance of existing facilities.

The Committee must tie new public works construction funding to a long-term program of maintenance and repair.

Thank you.

[The prepared statement of Mr. Howley appears on page 193.]

Mr. KOLTER. Thank you, Mr. Howley.

At this point, I would like to start the questioning of this panel and I am going to question Tom Woodske and perhaps the rest of you can join in with an answer. My question has to do with the year 2000 and competitiveness of this Nation. Say for example we maintain a status quo as far as our being competitive as a Nation. How would our nation compare with the other nations of the world if we do maintain the status quo and the other nations continue on the way they are today—how would you describe our economy in the year 2000?

Mr. **Woodske**. Well Congressman Kolter, I feel that maintaining the status quo will see a decline in the standard of living of America. Right now, of the top 20 industrialized nations in the world, we have the somewhat dubious distinction of being number 20 in education. Education and capital formation are the two keys to competitiveness in the United States. We are losing the competitive edge that we have. The discussions on infrastructure that your Committee is looking at are extremely important to our nation's competitiveness, but education will be the second element of that competitiveness. And if we maintain the status quo, we are going to see the standard of living for the average American to continue to deteriorate and I would think that the status quo is a situation that we as Americans really cannot tolerate.

Mr. **Kolter**. Thank you. Mr. Steiner.

Mr. **Steiner**. Congressman, we have held the status quo on infrastructure and education the last 10 years and we have declined in the quality of our life, so I think that if you look at what happened the last 10 years, it is extremely scary what could happen the next 10 years if we maintain the status quo.

Mr. **Kolter**. It was interesting to note several days ago that Japan has announced they are going to be spending $3.5 trillion in improving their infrastructure. We worry about raising gasoline tax five cents to make just some minimal changes here. So I can understand where you are coming from in your answer.

The Chair now recognizes Chairman Roe.

The **Chairman**. Yes, I want to thank the witnesses for an excellent presentation, and I think all of your testimony is right directly on target. I just have one question that has puzzled me a little bit.

As we were visiting Aliquippa yesterday, last evening, and then we rode along the highway and we were looking at the old Laughlin plant that is now being disassembled and so forth, there was a discussion that took place in reference to what were the ground conditions of those sites, I guess from a hazardous material point of view or from a toxic material. Then I was listening to your testimony. We have done some things in New Jersey where we have taken abandoned sites and old factories and old plants and reconverted them into condominiums and other economic units.

Does anybody know, for example, in this part of Pennsylvania, how many sites are subjected—I am talking about where plants have closed down—are subjected to hazardous material. How much of a problem is it, or is it a problem?

Mr. **Searfoss**. I think——

The **Chairman**. Can I just make one more point? Excuse me for interrupting you. The other point that occurred to us as we looked along the river, these were great sites in the sense of, you know, the width of them along the river and the levelness of the terrain and so forth. They looked like great sites that could be redeveloped. We are curious about that issue.

Mr. **Searfoss**. The Aliquippa site is some 7.5 miles long. Parts of the site are, quote "relatively clean", when you consider the fact that the former J&L, which is now LTV, predates EPA/DER. Crows Island area there was at one time an island and it was a landfill which at that time, again predating the constraints, anything and everything could be dumped into that landfill. The LTV company—and we continue to work with LTV to develop to every extent possible the land for reuse. It is sold as is, where is and once you have a sales agreement, then you can go in and do the environmental audit, but not prior to that, which makes it difficult in trying to market some 400 to 500 acres.

The CHAIRMAN. Can I interrupt you there? Could you explain that to us? Let me just tell you where my mind is coming from. In the State of New Jersey, we passed what we call an ECRA bill, meaning in effect that as a site is sold to somebody else, the State gets into that act to be sure that the property is not hazardous material, whatever the case may be. That is a hoop that some people complained in New Jersey they have to jump through, but at least it gives us a vehicle to be able to do test boring and so forth to understand what, if any, material is there because of the hazardous waste act and the penalties, as you know.

You are saying, as I hear you, that in Pennsylvania you do not have that. That the—do you want to explain that a little bit more to us?

Mr. SEARFOSS. Well I would like to qualify that to this degree, once you sign a sales agreement to purchase land—for example going back to the LTV site—that is—your escape depending on your findings of your environmental audit. A State program, for example, in utilizing the Pennsylvania industrial development authority funding programs now requires a minimum of phase one audit before they will fund any project. We are finding this to be the case with financial institutions as well, that they will not actually look at any project——

The CHAIRMAN. Who initiates the environmental audit, the initial audit on it?

Mr. SEARFOSS. The audit itself would be the buyer's responsibility.

The CHAIRMAN. As the contractual agreement is struck.

Mr. SEARFOSS. Yes.

The CHAIRMAN. But are there no—what am I trying to say—regulations or laws that allow the industrial development organization to go in and test the sites?

Mr. SEARFOSS. No.

The CHAIRMAN. There is nothing available to you on that basis. Would that be beneficial?

Mr. SEARFOSS. It would be controversial.

The CHAIRMAN. You have got a chicken and egg situation, I think. How can I go and buy the property, knock myself out to do all of the research work that should be done, blah, blah, blah, blah, but I do not know what I am buying. I am buying a pig in a poke unless I sign the contract and then we can start the environmental audit. Why should there not be a process along the line for having abandoned plants tested. That is, I think, part of the problem in Aliquippa. That is what they told us at the council meeting that night. Should there not be some way of coming back and testing that property to accelerate the process?

Mr. LEAP. Mr. Chairman, I might like to speak on that point. We did purchase a 1.5 million square foot Avtex plant that had environmental problems. The local communities pulled a fund together to have an environmental study done on the site before we took it over and we did find some hazardous material, some PCBs and other contaminants on the site. But we were able to, in the purchase of it, protect ourselves somewhat, in the way that it was divided. The areas that had the contamination on them were not purchased by us, the buildings that we found contaminant free were. But it still causes a major concern in the local officials and the appointed officials that under the law once we purchase it, they are subject to possible future liabilities. And if anything should be done, it should be to protect these public officials under some kind of immunity. Once they get into these projects, to protect them against any future—or we are going to lose all our authorities, we are going to lose the initiative to take these old plants over. You cannot deal with those bodies.

The CHAIRMAN. Well let me tell you where I am coming from just to—not to take too much time. It seems to me that where these major industrial sites are being abandoned because of the economic turnabouts that have taken place in steel—it is not only in your State, it is in my own State too—they do have infrastructure in large measure. Many of these have sewage disposal facilities and other facilities that are available, so there is an advantage to a redevelopment approach to take to that piece of property. The question I am specifically asking, would it be a valuable consideration for the Committee to consider making the environmental audit process eligible under EDA and eligible under Appalachian?

Mr. SEARFOSS. Absolutely.

Mr. LEAP. Definitely, yes.

The CHAIRMAN. Okay, thank you.

Mr. HAMMERSCHMIDT. Will the gentleman yield on that?

The CHAIRMAN. Of course.

Mr. HAMMERSCHMIDT. Just pursuing that a little further. You mentioned that economic development districts and other entities need protection and legislation has been introduced—I do not know whether it is moving or not, to protect financial institutions from that. And you would want to be included in that protection?

Mr. LEAP. As a matter of fact, we have sent letters in support of that legislation and also letters to our Congressman recommending that these agencies be included with that.

Mr. HAMMERSCHMIDT. Include those entitles.

Mr. LEAP. Yes.

Mr. HAMMERSCHMIDT. Thank you.

Mr. LEAP. Definitely.

The CHAIRMAN. Thank you, Mr. Chairman.

Mr. KOLTER. You are welcome.

The Chair recognizes Mr. Oberstar.

Mr. OBERSTAR. I do not have any questions, just a comment about the inter-relationship of EDA and ARC funds with the economic development successes you have had. Those are wonderful success stories of replacing jobs, not entirely reconstructing the economy, not as many jobs that you had in the heyday of big steel, but good jobs and a good diversified economic base, which I am very much impressed with in your testimony, and it shows the effectiveness of the EDA and ARC programs. You have used those funds wisely and I compliment you for that.

I also was impressed with your relationship of infrastructure to economic development. I think, Mr. Howley, your testimony reminds me of hearings we held several years ago on the Economic Development Administration and the relationship between public productivity and private productivity. Unless the public sector is productive in what it must do and does best, providing the roads, the Interstate highways, the bridges, the water and sewer systems, the private sector cannot be productive in what it does best, making the capital investments and providing the long-term jobs. That marriage between public and private sectors is vitally important. As you say so succinctly, infrastructure is the key ingredient in economic development.

Thank you.

Mr. KOLTER. I would like to caution my colleagues that perhaps we should ask shorter questions and get shorter answers because in the last two panels we have lost 20 minutes and we must depart here at 2:00 p.m. sharp. And secondly, I decided that we are going to work through our lunch hour, so the colleagues here who want to get——

The CHAIRMAN. Will the Chairman yield?

Mr. KOLTER. Yes, sir, Mr. Chairman.

The CHAIRMAN. I would like to respond to that. You know, it is your fault, because if you did not have so many qualified witnesses, we would not have the questions to ask them. I thank the Chairman.

Mr. KOLTER. Now you know why I take pride in my district here, Mr. Chairman.

The chair recognizes Mr. Borski.

Mr. BORSKI. You talked me out of it, Mr. Chairman.

Mr. KOLTER. Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. I just want to comment quickly that, you know, speaking to an economic development district group is right down our line. You know you are preaching to the choir when you are talking with us, because nearly all of us helped write the legislation.

And then something else. Mr. Clinger is not here, but I think he is represented, some of his counties are in the district that you represent, and he was the ranking Republican on this subcommittee and was also chief counsel to the Economic Development Administration. So we have always said that one of the best public policy investments there is, is the EDA. With a small amount of funding, you leverage so much private capital, and create a lot of jobs. You have the advantage of having ARC as well, which is even a better deal. But you have done a great job.

I looked at your 1990 annual report and went through it county-by-county, and I have seen what you have done. So we appreciate your good work. Thank you for your testimony.

Mr. KOLTER. Thank you, Mr. Hammerschmidt.

Ms. DeLauro.

Ms. DELAURO. I just have one comment, Mr. Chairman. I thank the gentlemen for their testimony, but Mr. Howley, in your testimony, I think that there was something that often gets overlooked and that is the inadequacy of training funds. We have your comment about a CETA mindset, unfortunately we threw out all of the good training programs, the good with the bad, instead of trying to figure out which were the training programs that were working that could really help our communities to employ people and get back on the road to economic recovery. And I just laud that comment and I think it is an area that we have to really, really consider for our future, if we are going to try to get anywhere.

Mr. KOLTER. Thank you, Ms. DeLauro.

The Chair recognizes Mr. Rahall.

Mr. RAHALL. No questions.

Mr. KOLTER. No questions.

Well that concludes the questioning. I want to thank this fine panel. I know throughout the next months, there will be times I will have to contact you for additional help. You have been very good to me in past months and I thank you for that.

The Chair now calls the High Speed Rail panel. Dr. Robert Casey, the real Bob Casey—the first Bob Casey and Philip Shucet.

TESTIMONY OF ROBERT J. CASEY, EXECUTIVE DIRECTOR, HIGH SPEED RAIL ASSOCIATION, AND PHILIP A. SHUCET, MANAGER, TRANSPORTATION PLANNING DEPARTMENT, MICHAEL BAKER, JR., INC., SPEAKING ON BEHALF OF MAGLEV, INC.

Dr. CASEY. Mr. Chairman, it is "rail Bob Casey", not "real".

Mr. Chairman, members of this distinguished Subcommittee, I am honored to have the privilege of submitting this statement to you today. It is going to be a very abbreviated version of my written statement.

The High Speed Rail Association represents both magnetic levitation and steel-wheel high speed rail concepts. It was founded eight years ago and is probably the fastest growing association in America today. Membership increased 50 percent during the past 12 months.

The reason for this is that America's consciousness has now turned to the subject of high-speed rail, a new mode of transportation and a new industry to support that mode. One has but to glance at the map which we distributed with our testimony to see how high speed rail is rapidly growing throughout the country.

Long before high speed rail was recognized in America, Chairman Kolter, along with Pennsylvania Representative Rick Geist, sponsored high speed rail legislation for Pennsylvania. Then Joe Kolter went down to Congress and he introduced the first high speed rail bill in Congress. Not only was it the first one introduced, it was the first one passed. The late Senator John Heinz sponsored it in the Senate and it became known as the Kolter–Heinz Bill or the Heinz–Kolter Bill, depending on which House you were in. It was signed by President Reagan on July 18, 1984, signed into law. It was to approve a high speed rail compact between the States of Michigan, Illinois, Ohio, Pennsylvania and Indiana. And Congressman Kolter is still at it. He is now sponsoring a bill on magnetic levitation, H.R. 2102, which the High Speed Rail Association enthusiastically endorses.

So it is doubly satisfying to testify before one of the fathers of high speed rail in America, Joe Kolter.

Mr. KOLTER. Thank you.

Dr. CASEY. As Executive Director of the High Speed Rail Association, I can assure you that your subject, economic development, is one of the driving forces of high speed rail in many countries as well as 20 or more states. Time will not permit me to go into the details of the Pennsylvania high speed rail study, of which I was Executive Director, but it was the most thorough such study ever done in this country. We performed it through a dozen top flight companies, including Parsons Brinckerhoff, Gannett Fleming, and Ernst and Young, to name a few. The four-year effort generated 37 study reports, each the equivalent of a college textbook. These in turn were reduced to a final report and that in turn was reduced to an executive summary and I have one copy left of the executive summary. If you would look at that and pass it around to the other members of the panel, Chairman Kolter, you will notice on the cover is a magnetic levitation train proceeding at an upper level while on a lower level cows are grazing placidly, they do not even hear it zip by because it does not make any noise.

Some of the highlights of the Pennsylvania study were:

(1) Magnetic levitation should be the technology of choice for a Philadelphia-Harrisburg-Pittsburgh high speed rail system. A train which connects two major cities with seven stops in between in two hours flat. Such a system would cost several billion dollars which compares favorably with the cost of construction of new highways and new airports. Expenditures on a high speed rail system would bring many economic benefits to the Commonwealth, especially 25,000 construction jobs during the initial years and 12,500 operating jobs when the system is in service. These operating jobs would bring in $205 million per year in personal income and would result in State tax revenues of $19 million annually.

Details of the economic benefits to Pennsylvania are enumerated in my written testimony. A recent report by the American Association of State Highway and Transportation Officials said that U.S. urban freeway delay could increase more than 400 percent by the year 2005. While commuters are a big part of this traffic, often overlooked are the tens of thousands of inter-city auto travelers who are caught in that traffic jam every day too. Many are on our highways and on the Pennsylvania turnpike.

Sometimes persons who have not carefully examined costs of high speed rail believe that such systems are, quote, "too costly". Highway costs are substantial as well. The outer spectrum of costs is found in Boston's central artery project, the largest remaining section of the interstate highway system. It is 7.5 miles long and when finished in 1998, will cost $4.4 billion.

This brings up an interesting point. Much of that is Federal matching money. If the funding rules were equal and if Boston's residents were to vote on highway projects as they do on transit bond issues, and tax themselves for the road, how many would agree to pay more than $586 million per mile for that new highway? That $4.4 billion could build the world's most technologically advanced, most sophisticated, smoothest high-speed train all the way from Boston to New York, 231 miles.

Of course, one could say that new highways also yield great economic benefits, and that is certainly true. The problem today is the vast need for land for such highways. High speed rail systems, on the other hand, require only narrow strips of land or mere footing for overhead structures such as in the picture on the cover of that executive summary. They can travel over farmland, over railroads, over highways. And less will be needed because two tracks of high speed rail can carry as many travelers as ten lanes of an interstate highway. I would like to repeat that. Two tracks of high speed rail can carry as many travelers as ten lanes of an interstate highway.

Economic development has always followed transportation systems. Mr. Shaw, President of Michael Baker, this morning commented that Cranberry Township, not far from here, is the fastest growing township in Pennsylvania. He said what did they do to get that position? Nothing. They are beneficiaries of excellent transportation which just happens to converge in that area.

So from the time of the Roman roads, we have seen it, transportation first, then economic development follows the transportation. All you have to do is fly over Washington, DC and look down and see large clumps of buildings. What are those clumps of buildings? They are stops on the metro system. They were not there before the metro system except of course the central city.

So a new transportation system is the best economic development project that can be undertaken, and high speed rail is the best system that can be undertaken within that category.

Thank you very much for the opportunity to testify and I will be glad to answer any questions.

Mr. KOLTER. Thank you, Dr. Casey.

The Chair recognizes Mr. Shucet.

[The prepared statement of Dr. Casey appears on page 144.]

Mr. SHUCET. Thank you, Mr. Chairman and members of the Committee.

My name is Philip Shucet and I am the Transportation Planning Manager and one of those proud employee owners of the Michael Baker Corporation in western Pennsylvania.

I am here today representing MAGLEV, Inc., a Pittsburgh based company, and to our knowledge the only true Maglev public/private partnership corporation in the country. We really appreciate the invitation to be here today and provide some remarks.

I will keep my remarks very short since both Dr. Casey and I have turned in written testimony which talks about more of the detail of the technology of Maglev itself. However, I would like to touch on a few very important points.

MAGLEV, Inc. has undertaken a very ambitious agenda. Our goal is to help establish Pennsylvania as a center of a manufacturing and industrial base for magnetic levitation transportation systems constructed in North America. As a component of this effort, we intend to build and operate a Maglev demonstration line between downtown Pittsburgh and the Greater Pittsburgh International Airport where the new Pittsburgh International Mid-Field Terminal is presently under construction. We envision this demonstration as the first link in a new regional Maglev network extending in to the midwest and mid-Atlantic states. And Chairman Kolter, we appreciate your support of that demonstration line.

Not news certainly to any of you, the United States faces a transportation crisis, congestion on our highways and on our airways is rapidly increasing. Present data trends in these two major passenger travel modes suggest that we are rapidly losing our mobility, a key to economic expansion. Between the years of 1985 and the year 2005, highway vehicle delay is predicted to increase from three billion to twelve billion vehicle hours. During the same period, the number of airports with chronic delay will increase from 11 to 47. The estimated cost of delay to the passenger will increase from eight billion annually back in 1985 to nearly $60 billion in the year 2005, and that is in terms of constant dollars.

We feel that a part of the solution for this crisis can be Maglev systems. Maglev systems that can link airports and metropolitan centers such as Pittsburgh and Philadelphia with access to the urban and regional sprawl can play a major role in helping to ease the worsening effects of the passenger transportation crisis that we will see in the 21st century. But these systems can complement air and highway modes, especially if proper interfaces are constructed. Regional Maglev systems with top speeds of up to 300 miles per hour make a great deal of sense. Such regional systems can utilize the airport of a major metropolitan area as a hub and extend service to smaller cities or airports in the surrounding region. The hubbing concept now practiced at many of our airports can, in many cases, be handled more efficiently by Maglev, freeing valuable air space and airports of commuter flights, for longer distance flights. As our economy becomes more strongly linked to those of other nations, the demand for long distance and overseas flights will continue to increase rapidly.

And I would like to add that as a large and populous State, Pennsylvania cannot expect to escape the emerging transportation crisis. Even if we were to ignore the quality of life issues, the debilitating effects to Pennsylvania's commerce and ability to compete in world markets make it imperative that we begin to explore new and innovative solutions, new institutions and new cooperation among the public and private sectors, new corporation structures and new ways of doing business.

MAGLEV, Inc. with its innovative and unique public/private structure that includes labor, might perhaps serve as a model for a new way of cooperating for the future of Pennsylvania and the country. We ask that as you go forward, you design an overall transportation plan, incorporating a comprehensive intermodal concept with clean interfaces between the various systems, including Maglev.

It is an immense and critical undertaking. We congratulate you on your effort in the stake in our country and in the Commonwealth of Pennsylvania.

I would like to thank you and add my excitement to appear before a Committee that includes as a member a hometown friend and high school chum, Nick Rahall.

[The prepared statement of Mr. Shucet appears on page 241.]

Mr. KOLTER. He sure has a lot of friends and neighbors, I will tell you that.

I really thank this panel for your testimony. You know, I am almost afraid to get started on this subject because I could go on for hours like you can. But Bob, I do want to thank you for the film that I requested of you and you mailed to me, and for two years now, almost weekly, I have been traveling in eastern Ohio, western Pennsylvania, not yet down to the hills of West Virginia, but I have been traveling all over showing this film and talking about high speed magnetic levitation. And everywhere I go, I come in and there are doubting Thomases, but let me tell you, when I leave they are spellbound and they are interested and they want to be a part of something. We call this the birth of a new industry—at least I do. I see tremendous economic change for the good with high speed magnetic levitation.

I just think if you travel down in Washington, you travel in our subway system, at every stop there is a city within a city there. You have hotels, motels, you have restaurants, you have shopping malls. I envision the same thing with high speed magnetic levitation.

I just want to tell you one thing else. I am going to share with you a picture of John Heinz and myself the day he came over to testify on behalf of my legislation. We cut a deal that day, he kind of thought because of his seniority that his bill would go through first. In fact, he asked permission to copy my bill, thinking with his seniority in the Senate, that his bill would fly. But like a football takes crazy bounces, so does politics. My bill came out first, we approved it at this hearing and in a short time it became law, thanks to the signing of it by President Reagan. But this is a treasured picture that I will never ever forget.

With that I am going to stop because I can go on and on. And recognize Chairman Jim Oberstar.

Mr. **Oberstar**. Thank you very much, Mr. Chairman. I realize that we are operating under time restraints so we can hear everyone's views. But you strike some very important chords. First of all, the need for planning and relationship of one mode to the other as we go through the work on the surface transportation assistance legislation that this full Committee will be considering and the Surface Transportation Subcommittee is now working on.

One of our problems in urban areas, I believe from a transportation planning standpoint, is that we make the mistake of counting vehicles and not people. Highway counts always come in so many vehicles per hour. It does not tell you how many people are traveling that roadway. We need to change the way we think about moving what from point A to point B, and the what is the number of people involved. And the most efficient way of moving large numbers of people in high density population corridors is mass transit systems. In some areas that may be a bus, in some areas that may be a fixed guideway, maybe light rail, maybe high speed rail. We have to adapt our transportation thought and planning to the particular needs of the area to keep our eye on the purpose of transportation, which is to move people and secondly goods, to their destinations.

The intermodalism, I think is underscored in Europe, where I observed from Munich to Frankfurt, a train system in which you can descend from your hotel room, check your luggage at the hotel, get on the train, get off that train at the airport terminal in Frankfurt, go upstairs to your concourse, catch your plane, land in New York, the bags arrive in good order, you do not see them from the time you leave your hotel until you arrive at your destination. If they can do that in Germany, why can we not do that in the United States? We certainly have the technology. The European common market countries are now spending collectively over $100 billion on high speed rail. Not necessarily Maglev, but the TGV, high speed train, in France and Maglev where that applies, linking in a comprehensive, already-planned network, through the European economic community, linking all major population centers, airports to city centers, and now through the channel tunnel, England and the continent. This concept makes just an awful lot of sense and it is a shame we have not done that long ago.

Just a brief question and that is, what are your estimated costs per mile of development of the Maglev, including your right-of-way acquisition?

Mr. **Shucet**. The study that we are currently looking into from downtown Pittsburgh to the airport—and this cost includes anticipated right-of-way acquisition, operation and maintenance as well as all engineering required to finally design the system—is somewhere around $30–$40 million a mile. Not inexpensive, but again in terms of the ability to move people as part of an overall regional system, it is not a cost, as Dr. Casey pointed out, that is too far off the mark in terms of some urban area highway construction that is currently going on.

Mr. **Oberstar**. Considering Washington, DC from center of Washington to Springfield, Virginia, the cost of I-95 15 years ago was $75 million a mile, that is a bargain.

Just one final observation. As a student in Europe, I did my graduate studies in European economic development, I took the train from Paris to Lyons, which was at that time a four and a half hour trip. Two years ago I took the TGV the same distance, two hours and one minute. At a certain point the train passed a small airfield where a twin engine aircraft was taking off and the aircraft was airborne and the train passed the plane.

Dr. **Casey**. We love that joke. That is the train that on May 18 last year, the new version of it traveled 320.2 miles per hour, a world's record by all accounts.

We have a little different figure than Maglev for steel-wheel high speed trains, such as the French TGV or the German ICE. This is from remarks by former Federal Railroad Administrator John H. Riley at our annual convention. He is now Commissioner of Transportation in Minnesota. He said that on the cost side estimates for conventional high speed rail, meaning non-Maglev, $15 million to $19 million a mile. And he compares that with what he got from the Federal Highway Administration estimates of urban highway building of $32 million a mile or rural highways, $11 million a mile. So they are in the same ballpark and it is just that the trains will carry more people and use less land and be much kinder to the environment.

Mr. **Kolter**. That is for sure.

The Chair recognizes Mrs. Bentley.

Mrs. **Bentley**. I just have a couple of comments, Mr. Chairman. I was very interested in the statement you made that Maglev on its two tracks could carry as many people as autos on a ten lane highway. I think that is really very significant, and the fact that you do not interrupt what is going on on the land. I think those are two really great selling points and again, I am glad you pointed out the necessity of the proper interface for all of this.

We will have some more questions later, Mr. Chairman.

Mr. **Kolter**. All right.

The Chair recognizes Mr. Hammerschmidt.

Mr. **Hammerschmidt**. Thank you very much for your testimony. I just have one question.

Are you in dialogue or in discussion with the U.S. Corps of Engineers on your project?

Mr. **Shucet**. Absolutely. The U.S. Corps of Engineers as well as the Federal Railroad Administration who are working very closely together, as you know, on the U.S. Maglev initiative—yes, we are.

Mr. **Hammerschmidt**. You know, there are two committees vying for jurisdiction over this; Energy and Commerce and our committee and our handle is through the Corps of Engineers, so I just wondered if they were involved in your project.

Dr. **Casey**. They are very important to this whole program.

Mr. **Hammerschmidt**. Thank you.

Mr. **Kolter**. The Chair recognizes Ms. DeLauro.

Ms. **DeLauro**. Thank you, Mr. Chairman.

First off, I would like to get a copy of the film that you have—I am serious——

Mr. **Kolter**. I would be happy to show you that film.

Ms. **DeLauro**. This is very exciting. You mentioned the cost of building Maglev trains. In terms of the cost in maintenance and the comparison with conventional trains, is there a large difference?

Mr. **Shucet**. Unfortunately the maintenance—operation and maintenance cost of Maglev is something that is yet to prove itself out because there is no history. But there are some figures.

Dr. **Casey**. Theoretically the cost would be much less for Maglev because there are no moving parts, no wear and tear. You do not have anything touching. The magnets will in time have to be replaced and the wiring will be replaced, but theoretically Maglev should require very little maintenance. But higher construction costs.

Ms. **DeLauro**. Are there particular geographic areas of the country where Maglev is especially suited for?

Dr. **Casey**. Yes, Maglev was—our Commission in Pennsylvania—I am now with the Association, before I was with the Pennsylvania Commission—the Pennsylvania Commission recommended Maglev because of our mountains. With the steel-wheel system, our consultants said we would need I think it was seven tunnels, which were very expensive. With the Maglev system, no tunnels. It would be a longer distance traveled, but when you are going 200 miles an hour, who cares.

Mr. **Shucet**. Chairman Kolter, if I may add one bit of information to that answer.

Mr. **Kolter**. Go right ahead.

Ms. **DeLauro**. Please.

Mr. **Shucet**. Back in 1989, I think, in April of 1989, Argonne National Labs issued a report that identified about an $85 billion market for magnetic levitation systems in the country. And a little over $60 billion of that was centered in the northeast.

Ms. **DeLauro**. I am from the State of Connecticut and we are just trying to get one of our bridges restored so that we can increase rail speed from 15 miles an hour back up to 45 miles an hour.

Let me just ask, could or would you want to have Maglev trains replace conventional trains? Would you want to keep a mix?

Dr. **Casey**. From the Association viewpoint it is a geographical and political decision. If California and Nevada connecting Anaheim and Las Vegas, want to have a Maglev because they have mountains and they have—they want to go at very high speeds, fine. If on the other hand, Texas, which just decided to buy the TGV, the French high speed steel-wheel train, they have very few mountains in their territory there and they would like to have the steel-wheel train, that is fine, that is their decision. I do not think we have to have a uniform system for the whole country. This is something that is not really recommended by us or anyone else for long distance, this is only from about 50 miles to 500 miles. That is the gap. Lower than 50 miles, probably you are going to drive. Above 500 miles you will probably fly the 2,223 miles from Chicago to Los Angeles.

Ms. **DeLauro**. Well I support Chairman Kolter, I think that this is a new and exciting industry and one we ought to be spending our time and effort and resources on. Thank you very, very much for your testimony.

Mr. **Kolter**. Thank you, Ms. DeLauro.

Before I excuse you, the proceedings today are being heard live over WBVP in Beaver Falls. In addition, we are being televised on Channel 38 cable television, the channel here at Geneva College, which means that a lot of people are listening and will be watching this at a later date. For that reason we need to talk about safety. When you are talking about traveling 300 miles an hour, please explain to the public how safe it is because it is a very important feature about the wrap around-track.

Dr. **Casey**. In 27 years, soon to be 28 years, the Japanese bullet train has been traveling—it started at 125 miles an hour and it is now up to 160 miles per hour. In all that time, they moved more than half the population of the world and they have never had one passenger injured and never had one passenger killed—not one. The French TGV in almost ten years of service now, the Paris to Lyons that you mentioned before, they have never had one passenger injured, never had one passenger killed. Some terrorists put a bomb in one of the cars and blew part of the roof off but the train kept on going, nobody was hurt. The train arrived on time in Paris!

Mr. **Shucet**. And with respect to Maglev, the most advanced system is the West German Transrapid system which I am sure you have probably seen pictures of. Actually wraps around the guideway so that the magnets that propel the vehicle are underneath the guideway. This being the guideway, the train is fixed around it such that it cannot derail. Safety at that speed is obviously of much concern. It is another reasons for suggesting that the systems be elevated. There is a great deal of concern about something traveling that fast being at grade for its entire length.

Mr. **Kolter**. Right. And those who are not familiar with the Maglev need to understand that the train actually lifts off the track and floats at 300 miles an hour plus, and they are motionless. Just as when you fly in an airplane, you are standing still—you have the same effect on a high speed Maglev train.

With that, I thank you for your timely testimony. We will be in touch with each other shortly. Thank you.

Dr. **Casey**. Thank you very much.

Mr. **Shucet**. Thank you.

Mr. **Kolter**. The next panel is the Allegheny County panel. Commissioner Foerster, Chairman of the Allegheny County Commissioners is accompanied by Joe Hohman, Director of the Allegheny County Department of Development; Bill Millar, Executive Director of the Port Authority of Allegheny County and Jay Aldridge, President of Penn Southwest Association and Raymond Reaves, Director of the Allegheny County Planning Department.

Mr. Foerster.

TESTIMONY OF HON. TOM FOERSTER, CHAIRMAN, ALLEGHENY COUNTY COMMISSIONERS, ACCOMPANIED BY JOSEPH M. HOHMAN, DIRECTOR, ALLEGHENY COUNTY DEPARTMENT OF DEVELOPMENT; WILLIAM W. MILLAR, EXECUTIVE DIRECTOR, PORT AUTHORITY OF ALLEGHENY COUNTY; JAY D. ALDRIDGE, PRESIDENT, PENN SOUTHWEST ASSOCIATION AND RAYMOND L. REAVES, DIRECTOR, ALLEGHENY COUNTY PLANNING DEPARTMENT

Mr. **Foerster**. Mr. Kolter, this is the Allegheny County delegation and we are pleased to be here and welcome you to our southwestern Pennsylvania area, your Committee. We think it is the friendliest area anywhere in America.

Today I have submitted my testimony for the record and perhaps will just add several things——

Mr. **Kolter**. Without objection, so ordered.

Mr. **Foerster**. Thank you. I will call upon the other members of the panel for a few comments.

Those of you that had the tour of our airport yesterday, the new airport that we are building, I think can appreciate what is occurring here. Allegheny County put up $42.5 million of its tax money to get this airport started. Without that, the airport would not have gotten off the ground.

In addition to serving Allegheny County, it serves 67 other counties in what we call our catchment area, including West Virginia, counties in eastern Ohio and also in parts of Maryland. We think we have done a service to the entire nation as well as the Commonwealth of Pennsylvania. Our airport is very, very important in a national airport system. We have been preaching for many years that the monies in the trust fund should be expended to really bring all of our airports in our country up to date.

Some 23 years ago we started to invest dollars in buying 6,000 acres of land to prepare for this day to build our new Greater Pittsburgh International Airport. We did receive some Federal dollars in those days, we matched it with county dollars. We invested some two million dollars in those days and now we are under construction and we have invested $42.5 million to get our airport moving. The Commonwealth of Pennsylvania invested $85 million and the Federal Government $105 million through the FAA, and the total airport at this time exceeds $680 million. We think it is going to generate over 18,000 jobs. The people that estimate the number of jobs to be created I think so far have under-estimated the real effect of the Greater Pittsburgh International Airport on the total economy of southwestern Pennsylvania, West Virginia, Maryland and eastern Ohio. I think what we have done here was a service to all of those communities with the investment of our dollars.

In return, we are asking for consideration, as Bill Millar will tell you, in trying to improve the infrastructure from Pittsburgh out to the Greater Pittsburgh International Airport in the way of a busway and also a new four-lane expressway to parallel the present parkway.

There are two Allegheny Counties. The Allegheny County that you see in the western part of our corridor and in the north hills, you would think there is not one bit of unemployment and no one in distress at the present time. Much the same is true in the rest of our country. There are two Americas and there are two Allegheny Counties.

Travel in the Montour Valley and take a look at the devastation there, for an area that out-produced the world during World War II and other emergencies that arose. That huge steel complex, the Montour Valley down to the Beaver Valley to Youngstown, really saved this country and I think our country owes an obligation to those areas. Homestead is a key example. The land that—the U.S. Steel Works that was built in Homestead was acquired by the Federal Government. They wiped out people's homes in those days, turned the land over to USX, they purchased it and they built the steel mill there. Now the steel mill is gone and what is left in Homestead but devastation. We need dollars for infrastructure development to again repay to the citizens of Homestead and Allegheny County what was taken from them. We need dollars, infrastructure dollars, for McKeesport and Duquesne and other devastated areas, and this country has never returned that debt to them, in providing more dollars whether it be through EDA, which today has very few dollars available, or through some other vehicle.

The infrastructure in those communities must be revitalized from the standpoint of the environment, some new water and sewer improvements, so we again can repay to the citizens of those areas again what they produced during World War II and the other conflicts this country was involved in.

While there are two Allegheny Counties, we ask you to take a look not only at what we are doing at the airport, as you did yesterday, but bring your Committee some day, as you did today—yesterday—into Aliquippa, take a look at that Mon Valley and you will know what this country does owe to that area.

Mr. **Kolter**. Would the gentleman yield? We saw Aliquippa yesterday and we decided to adopt Aliquippa.

Mr. **Foerster**. I want you to adopt us in Allegheny County too. I am going to ask the people on our panel for a few comments at this time. First of all, on the infrastructure needs as far as highways are concerned, and public transportation. Public transportation cannot be ignored, we have a great port authority system in this county that operates public transit. Bill Millar.

[The prepared statement of Mr. Foerster appears on page 164.]

Mr. **Millar**. Thank you, Commissioner Foerster, and we were certainly pleased to host the Committee yesterday and you got to see a little of our system.

As the Commissioner has said, there is that brand new airport under construction, and the question that many people are asking is how are we going to get to that new airport. The answer rests in a series of road and transit improvement. Our agency, the port authority, which is the principal mass transit agency in the area, has responded with an innovative expansion of our busway system. Busways, quite simply are roadways exclusively for public transit buses. We have operated them successfully in Allegheny County now for some 14 years and our intent would be to use existing railroad rights-of-way that we have available in the county, both in terms of active rights-of-way and abandoned rights-of-way to develop a 7.7 mile stage one busway. This would get us a new river crossing from downtown, then go along the banks of the Ohio River, then pick up an abandoned railroad right-of-way and rejoin the parkway west after we have gone around the congestion of the Fort Pitt bridge, the Fort Pitt tunnel and Greentree Hill. We believe this would be a cost-effective investment, about $140 million for this first 7.7 miles in length. We believe that transit ridership would approximately double from the current 20,000 per day to over 40,000 per day, and we believe that this could be built over the next three years if we move quickly in this activity.

So that is our principal project. We are also seeing an expansion of our eastern busway to get down into that Montour Valley that Commissioner Foerster talked about, so we can link people who need jobs with the new jobs that are developing at the airport.

Mr. **Foerster**. Thank you very much, Bill. The next person on the panel is Joe Hohman, the Director of our Department of Development. Allegheny County invested county dollars in purchasing 350 acres of USX property in McKeesport and Duquesne. And Joe is going to talk about how we have invested those dollars and some of the dollars you have given us through EDA up in the town of Glassport. Joe.

Mr. **Hohman**. Thank you, Commissioner; Mr. Chairman.

In our Mon Valley, we have over 1,100 acres of former industrial property that needs to be rejuvenated, revitalized. These are former steel plants that were primarily conducive to making basic steel and are not easily converted into any other use. So there is a large undertaking to clear and clean those properties before development can occur.

All of those properties have massive environmental cleanup dollars associated with them. They also have massive access needs. All of the properties are surrounded by rail, both on the river's edge and on the community's edge and there is need to either ramp over the rail in many instances or ramp off of existing bridges, large environmental or infrastructure improvements necessary just to address the access issues to those sites.

In addition there is infrastructure needs within the sites, both in terms of roadways, water-sewer lines, and just general infrastructure needs. In the two projects that we are involved with in McKeesport and Duquesne, the former McKeesport National Works of U.S. Steel and the former Duquesne Works. We had an environmental assessment done by a number of environmental firms which shows a total of approximately $18 million to clean up those two sites. This is in the form of PCBs, in the form of underground storage tanks, hazardous waste that is located in the soil, oil spill in the soil, asbestos. When you tear down the facilities, major asbestos concerns enter into it. We are trying to undertake those projects, but there is a need for additional federal dollars to assist in those efforts.

We did a project in Glassport, which was a much smaller scale. The former Copperweld's facility in Glassport was a 250,000 square foot facility. We were fortunate to get two million dollars from EDA and with that two million dollars we were able to subdivide that facility so that we now have 14 businesses located in that facility. It is 100 percent leased, it was leased 100 percent 18 months beyond projections and we have currently 300 employees working at that site. That is just an indication of what can be done with a small amount of resources applied in the proper way.

But we have very massive needs within the Mon Valley within all of our industrial sites and it is imperative that the State and local government and the Federal Government be involved in the cleanup and the eventual development of those sites.

We have committed Allegheny County dollars for that infrastructure improvement to be used as somewhat of a match for various State and Federal money that we might obtain in the future.

That is just a real quick view, Commissioner.

Mr. FOERSTER. Joe, thank you. Our next speaker on the panel will be Ray Reaves, the Director of our Department of Planning, who also is our representative on the MAGLEV, Inc. group. We have invested $120,000 of Allegheny County money in that corporation to try and produce something which will hopefully be the new wave of the future.

Mr. REAVES. Thank you, Commissioner, Mr. Chairman, Committee members.

I wanted to touch on a complementary project to the one Mr. Millar spoke of. As the Commissioner indicated, we will, between the Federal, the State, local and private sources, have invested over a billion dollars in the airport and associated road improvements and infrastructure improvements. The bottleneck now as we look ahead is that of what we call the parkway west. Those of you from this area are quite familiar with that. This highway which leads from the airport to downtown Pittsburgh was the subject of a study several years ago along with the airport busway. We think that an alternative to this road has the possibility of becoming a toll road. Obviously this is something we would all like to see, relieving the public of financing for such a facility. However, before we can interest—and we have talked to several private sector firms who might be interested in this—before we can interest them, we have to go through a planning process to look at the environmental possibilities—opportunities and also the right-of-way costs. They of course want to see if there are any fatal flaws before they devote the private funding to this. We need about three-quarters of a million dollars to do that and we are in search of that funding today.

This road would relieve the parkway west traffic on which is estimated to grow by about 60 percent in the next two decades. Those of you who are familiar with it will realize this will be totally congested at that rate from downtown Pittsburgh to the airport and our brand new economic generator out there will not be able to reach its potential. Therefore, we are searching for the funds to move this potential toll road the next step.

Just one other note on the reauthorization of the Surface Transportation Act, I realize there is lots of legislation being discussed in Washington at this time, and just very briefly we are interested in legislation that would not only at least hold the funding level and perhaps increase it a bit, but that would more than that permit some flexibility, especially at the local level, through the Metropolitan Planning Organizations, to choose major projects we feel will benefit us here, mixed between transit and highway and other road facilities.

We also like the notion in some of the legislation that would tie funding to land use planning. We feel that this is the most basic way to manage transportation demand, is to make sure that we are not building highways just for the sake of opening up new land here, there and everywhere else, but tying it together into a true network and tying that network to land use planning.

Thank you.

Mr. FOERSTER. Ray, thank you. And our cleanup hitter is Jay Aldridge, who heads the agency that is the chief sales agency for our region in bringing new job opportunities here. One of the great success stories of Pennsylvania is Penn Southwest. Just recently, Jay was successful in attracting Sony here, Conrail here and he is not just a sales person for Allegheny County, but a seven-county region. Jay.

Mr. ALDRIDGE. Thank you very much, Commissioner, and thank you so much for the opportunity to be here in behalf of Penn Southwest. We are delighted to be here with our nine-county hat on, because with—I think we exemplify a working relationship between business and government that is, I think, outstanding for this part of the world.

I am going to dwell particularly just on two items or three items at the most, and let me just say it in this fashion. We are a region county that is going through a tremendous transition, from a monolithic economy to a very diverse economy, by design. As marketers for this region, this region is a product, it is a product that has to compete worldwide. As a result of its diversity, it is incumbent that it have as its—part of its product, the ability to have within it the infrastructure, specifically highways, that are now required by the future industries and with the good help of the Commissioners and the far-sighted part that they have played in getting a decent airport here, we have that part of the infrastructure as well. And that is not putting the slam on river or rail, but specifically it ties to the fact that we are preparing ourselves for the future with these types of necessary investments.

We have been particularly successful in the past several years in attracting foreign investment here. We have 234 foreign owned firms here now that employ somewhere upward of 70,000 people. Those are jobs that were not here by and large 12 years ago, but those are very important jobs. They too must remain competitive in this market just the same, because they are fully integrated in as being part of the American scene.

So therefore, it is important that we have the infrastructure, if we are, as a product to be, and continue to be competitive in this world economy.

I would like to just touch on one little brief item. It is not brief or small in any sense of the form, but we hear much about the Mon Valley, the Mon Valley by many descriptions I think constitutes somewhere in the range of about a quarter of a million people. That is their home, that is their area of work. That extends from Allegheny County on down to a community called Brownsville, that is basically the intense area of former industrial production. For that 30 some mile area, we produced all kinds of steel. But that same valley today, there is a $250 million payroll there which is provided by one corporation, but the difference is it is all retirement money, it is pension money. And the interesting aspect of that is that that $250 million, with every click of the clock, another pensioner passes away, that income leaves that market. The more difficult aspect is that we have to replace that pensioner with at least one or sometimes two jobs to meet that same income. Those communities, for the most part, have tied their budgets to the income of pensioners. That is a very difficult task, particularly as we have a very aging population in that particular area.

We hear much about the Mon Valley Expressway. This is a road that was designed as an economic development highway. It is imperative that it be built, for if it is not, the fact of the matter remains that you not only lose that 250,000 people in a very important core area of this region, but at the same time you lose the ability to change the future for those young people who are there as well as to continue to make this area competitive.

Now I can go on about other roads, the Beaver Valley Expressway that is being built right here, which you have been familiar with and so forth. But I will leave that with you particularly because that heavy concentration of pensioners in an area which transcends many counties, I think is a very important aspect.

On that note, let me leave at that point. Thank you very much, Commissioner.

Mr. FOERSTER. Thank you very much, and just one final note on the human infrastructure which should be addressed also. When the factories were working full blast, high school graduates no longer had to worry about going on to college, they had a job waiting for them in the mills. The same is not true today. Here in this county, we established an Allegheny County Community College. Today we have over 100,000 students, full time and part time in our Allegheny County Community College. We put an offer on the table to any displaced worker that wanted to go back to school again could do so tuition-free and books free. This county invested over five million dollars in a program, the bottom line was 80 percent of the graduates found a job in the field in which they were studying. We have barely scratched the surface on offering equal opportunities to all people in our county and our country, and the answer is better educational opportunities to meet the jobs of the future.

We thank you very much for listening to us today.

Mr. **Kolter**. Thank you, Tom, and thank the members of the panel here for your most interesting and informational type testimony.

First allow me to thank you again for the fine show you put on for the Committee yesterday; the tour was excellent, the courtesies were unbelievable and the Committee is ever mindful of the great people, you people are in Allegheny County.

Mr. **Foerster**. We want to invite you back in October of 1992 for the grand dedication, you and the entire Committee.

Mr. **Kolter**. We will be there.

You are the kind of panel we could spend all day questioning because it is so interesting, the questions and the answers here. Let us talk about your hub of employment, the Greater Pittsburgh Airport, and the fact that now we are going to have increased ridership due to the completion of Mid-Field Terminal and its location and all that goes with it. We heard today that Penn DOT is interested in building a bypass around the City of Pittsburgh, taking advantage of interstate highways we have there now and building new highways like the one down toward Brownsville and the one from Cranberry Township down Crows Run across the Ohio River with a new bridge and onto Route 60, to eventually take us all around the City of Pittsburgh.

With the view in mind that you are going to have increased ridership from the whole of the tri-state area, how important would this new highway be, this new bypass?

Mr. **Foerster**. I will let Ray Reaves, our representative on the Southwestern Pennsylvania Regional Planning Commission, who is our highway planner, answer that. Ray.

Mr. **Reaves**. The bypass that you are mentioning is made up of components, as you indicated, of various highways and studies that are underway. The regional transportation plan contains, I believe, about $10 billion worth of transportation improvements, $2 billion of which are these new economic development highways. The remainder is basically for local roads, for transit and keeping our bridges and our roads up to par. So as you can see, we are having to spend every penny we do not have as well as all that we do have, to stay afloat. In addition, we need extra help to develop these highways which will lead to areas of new employment, new development and so forth.

So the short answer is it is very important to us.

Mr. **Kolter**. Thank you.

The Chair recognizes Chairman Roe.

The **Chairman**. I thank the Chairman. Yes, I think this is one of the panels that we could ask questions of all day. I just wanted to tell Chairman Kolter that plane may be delayed a little bit.

First of all, let me say to Mr. Foerster, I want to compliment you, Tom, on not only your courtesy yesterday but we learned a great deal, I think to your everlasting credit. The members, until yesterday before visiting the airport, most of us thought it was to be a rehabilitation and really what you are doing is creating a whole new center. So we were enormously impressed with that and

I want to compliment you on your sagacity and the great wisdom you and your colleagues had in buying that property 20 years ago. That showed great foresight and if anybody is going to erect a statue, they had better start doing it for you guys, is what it amounts to.

Now, just a couple of quickies. You spoke of toll roads—I believe it was Mr. Reaves, who spoke of toll roads, and that is a big issue before us as we are writing the legislation, as you know. One of the questions that emerges is that in some of the private entrepreneur efforts—I am thinking in Anaheim, California, for example, where they have got multi-modal systems they are putting together with private money—one of the discussions is that the revenue stream is not great enough to be able to pay for the whole thing. They could use about 30 to 35 percent, not more than that, from the State's allocation of highway money to carry out that program. That is one thought. Where some of the toll roads are involved, one of the problems they are faced with—we ran into this in New Jersey—is that it takes time to build your revenue stream, depending upon where it is. And therefore, should you have the flexibility in the legislative process to use part of your allocation of highway funding or however you do your transfers and so forth when the bill is written, particularly in the toll road area. When the private industry is participating, we find that almost in every case, they do not have enough funding to do the whole thing on its own revenue stream. What would be your suggestion, should the Committee consider making those types of facilities eligible for a period of time for part of the State's allocated transportation funding?

Mr. **Reaves**. We would clearly back the notion of flexibility again, as much at the local level in conjunction with Penn DOT as possible.

The **Chairman**. I am not only talking about flexibility now, I am saying that here you have like—you have brought together a partnership in the airport, you had the county, you had the State and you had the feds and then private entrepreneurs. But we are faced with the same situation. Private entrepreneurs tell us we want to do this, we think we can make a profit on it, we can do it faster, environmentally more sound, we do not have the revenue stream, we need about 25 to 30 percent. What would you recommend?

Mr. **Reaves**. In terms of mixing the public and private pots——

The **Chairman**. Should we allow—I am not talking flexibility.

Mr. **Reaves**. Right, I understand.

The **Chairman**. Should we allow those resources to be used in that direction?

Mr. **Reaves**. I think you should.

The **Chairman**. Okay.

Mr. **Reaves**. I think the specific highway we are talking about may not need those funds. Based on some preliminary computer runs we think this highway can carry itself. That is one piece of the study we are looking for the funding to carry out. There are three pieces, the environment, the right-of-way and the financial feasibility. With that, we can obviously give you a much better answer, but yes, I would think the mix is important to us.

Mr. **Hammerschmidt**. Would the Chairman yield?

The **Chairman**. Of course.

Mr. HAMMERSCHMIDT. That particular corridor you are talking about where you need $750,000 in startup money is a governmental entity, is it not? It is not a private—is it a government entity?

Mr. REAVES. We do not know yet.

Mr. HAMMERSCHMIDT. I see.

Mr. REAVES. It would depend—part of the financing response would depend on how best to skin the cat. And we look at it both as a private, a public authority, perhaps it could be just a pure county or Penn DOT facility. Right now the right-of-way goes across I would estimate ten jurisdictions, so obviously some thing, some entity, would have to be formed.

Mr. HAMMERSCHMIDT. I just wanted to clarify that in my mind. I thank the Chairman for yielding.

The CHAIRMAN. Just two more quick questions. You spoke about the Metropolitan Planning Organizations having more to say so to speak, as far as the transportation decisions are concerned. And then you also spoke to the point of view that there ought to be, in your judgment or observations, more attention, if you like, paid to land use as we make transportation decisions. I believe that is how you put it in context.

Now that is puzzling us a bit because we had the Secretary testifying this morning, as I am sure you are aware. One of the points he raised was his concern that we not skew this too far so you would have 25,000 people trying to make the decisions and take away the authority of the States in coordinating transportation policy, and in effect be coming back and saying to the MPOs, okay, guys, you have more money, you not only have part of the process of decision-making and discussion but you also have, in effect, veto power over what the Governor will want to do. If you wanted to do something in your particular region, you would in effect have first claim to the money.

Having said that, the Mayor last night—what was his name—Danny Brista—no, it was the Mayor of Beaver Falls.

Mr. KOLTER. Jim Reynolds.

The CHAIRMAN. Jim Reynolds made the point last night, he said:

> You know, we are not looking for money from you people coming from Washington. You know, we have our own problems, a lot of things we can do ourselves. What we want you to do is get out of our way. You have got us so burdened with so many requirements under EPA and the Clean Air Act, everybody has to have a new plan.

You know, by the time you jump through the hoops—how you ever did that airport in the time you did it is amazing. I have to sit and talk with you about that. That is an enormous achievement given the environmental problems you face with the acid rain—acid waters and so forth and so on.

Now some of our members, and there are about eight or ten, that have joined—maybe more than that, 12 or 14 on the Committee, of which we have 57, as you know—have joined together and said now we think there should be more land use planning involved when we are making these determinations as it relates to transportation uses. Now from my State, if you start out to do anything in a highway or transportation program, it takes you about 14-18 years if you live long enough, if you stay in office long enough to get it done, as Joe Kolter seems to be able to do.

So what kind of land use planning do you see, who is responsible for that, where does that decision come from? I mean it is a big term "land use planning". We use it all the time and I am not a novice in this business. How do you see that to be applied, who do we go to on the land use that decides whether we are going to build this or do that or whatever we are going to do?

Mr. **Reaves**. We could discuss this for a very long time.

The **Chairman**. Oh, I know. That is why I am taking advantage of Joe at the moment.

Mr. **Reaves**. To be as brief as possible, I think the land use planning will depend upon the region in which you are involved. The Philadelphia region——

The **Chairman**. But that is a cop-out.

Mr. **Reaves**. No, it is not, because the Philadelphia region is a very large, multi-county region with developments spread around it. It is more decentralized than this region in Allegheny County and the City of Pittsburgh. So my answer in Allegheny County would be that the county should have it.

The **Chairman**. Excuse me for interrupting. Are you talking about the urban centers?

Mr. **Reaves**. That is correct.

The **Chairman**. Just the urban centers. See, you have to differentiate. If you say we are going to have land use planning, if we are talking about total land use planning, that is one thing. If we are talking about land use planning as it relates to MPOs, that is a different thing. We have to quantify that.

Mr. **Reaves**. Well as you know, we do not have MPOs everywhere.

The **Chairman**. Oh, I am well aware of that.

Mr. **Reaves**. So I would tie it to the MPOs where they exist and Penn DOT obviously has to assist the local regional groupings, whatever makes sense in terms of densities in nonurban areas elsewhere.

I think one of the models that we are using locally is the Puget Sound area in Washington State, perhaps you are familiar with that.

The **Chairman**. Very much.

Mr. **Reaves**. Yes. And they went through a several year planning process where they looked at various models of development, scattered development, nodes, more centralized, et cetera, talked to the folks, did a major participation effort and they came up with a plan which they have just published and that will need more detail. But that is the model we are using, to go through the scenarios to find out what can be cost-effective in terms of land use dispersion, settlement patterns. And then to serve that with transportation. Not let transportation become the dog and the development patterns the tail. But vice versa.

The **Chairman**. Just one more point, Mr. Chairman. Therefore, in effect what I am hearing you say is that as we look into this issue of land use planning, we should confine it to MPOs pretty much, which then would start to determine the general plan as a basis for their transit program.

Mr. **Reaves**. And highway, yes.

The CHAIRMAN. Well because I am also thinking about the Clean Air Act.

Mr. REAVES. Yes.

The CHAIRMAN. So you are thinking about confining it there. That is an important distinction.

Thank you, Mr. Chairman.

Mr. KOLTER. You are welcome.

The Chair recognizes Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Thank you, Mr. Chairman. We have a lot of brain power at this table and we are very appreciative of that. We are also appreciative of the great hospitality that was expressed earlier by you, Mr. Foerster and by you yesterday, Mr. Millar.

I am not going to take time for questions, but I will comment to Mr. Reaves that we were just out in Puget Sound for infrastructure hearings and met with the Tri-County Planning Authority out there, and we were very impressed with it. So it is interesting to know that you planned your model after theirs, because theirs seems to be—of course it is just taking off, but they are doing great things out there and have great cooperation between those three counties.

I thank all of you very much.

Mr. KOLTER. The Chair now recognizes Mr. Oberstar.

Mr. OBERSTAR. Thank you, Mr. Chairman.

Mr. Foerster, good to see you again.

Mr. FOERSTER. Good to see you again, sir, and also welcome to the home of the Stanley Cup champion. [Laughter.]

Mr. OBERSTAR. Keep your eye on the Stanley Cup because that is all you are going to have on it, until next year this time. We take hockey pretty seriously out in Minnesota.

Mr. FOERSTER. I know that.

Mr. OBERSTAR. When you talk about the history of the Mon Valley, you touch a very sensitive chord, as I expressed to an earlier group. During World War II it was the iron ore mines in northern Minnesota that shipped 100 million tons of iron ore a year to big steel throughout the valley. The difference between your area and ours is that when the World War II and the Korean Conflict were over, our resources were depleted. You still had something here in steel valley to build on. But with the decline of the natural ore reserves, we had to turn to lower grade ore, to a new technology, to processing a higher cost formulation. And we are still tied to a resource, an end-user beyond our control, beyond the ability of our area to effect. So whatever mistakes or good decisions steel made, we either benefited or were adversely affected. So the rebuilding that you talk about with the wise use of EDA funds and ARC funds is something I am very, very personally aware of, very sensitive to.

Mr. Aldridge, when you talk about having a basic employer of 250,000 people being the Social Security system and the retirement plans—we understand that. We have got 25 percent of the population of northeastern Minnesota over the age of 65. You know, towns that for a time—three or four years at least—whose main income was Social Security checks and retirement checks from the steel companies, so that the efforts to rebuild economies and the economic development planning that goes into it are crucial. You made a contribution to this hearing by making those points and describing graphically what an economic impact you can derive from wise planning, use of federal funds, leveraging for private investment dollars.

I asked a question earlier about the development impact and job impact of the airport. The last figures I saw at the Pittsburgh Regional Airport were in the range of $3.5 to $4 billion in terms of its total economic impact. And some 47,000 jobs directly. Do you have an update on those numbers?

Mr. FOERSTER. I do not have an update on those numbers, maybe Jay Aldridge may comment on the numbers. I know the studies I have seen to date, Congressman, I think far under-estimate what the true impact of that airport will be. We have had studies done by the Greater Pittsburgh Chamber of Commerce, by Penn Southwest, by the University of Pittsburgh. And just since the time we announced we are going ahead with Mid-Field, the new terminal, the University of Pittsburgh can prove there have been several thousand new jobs added just from that announcement date until last year, which was just a very short period of time in that corridor. I do not think any of the numbers I have seen to date, Jay, can truly estimate the numbers. So for me to put forth a number today would be just sheer guess on my part. But the impact, as I indicated, is going to be felt in some 68 counties and that is a tremendous spread over a wide area of West Virginia. Many places in West Virginia have got to be more accessible to that airport than we in Pittsburgh. So I think we have done something for the whole region.

Mr. OBERSTAR. Your challenge is to make that airport as efficiently as you possibly can—

Mr. FOERSTER. It will be.

Mr. OBERSTAR. —moving people to and from it, taking greatest advantage of the economic development opportunities afforded by an airport.

Mr. FOERSTER. To become world competitive, it has to be just that, Congressman.

Mr. ALDRIDGE. May I just add one point, sir, and that would be that—Tom brought up a very good point and that is, keep in mind the 68 counties that transcends four States. That is a doorway for those four States to be competitive with the rest of the world. It is imperative that we keep that competitive because if that goes away, there is a big void left in the center of this country and that is extremely important so that the infrastructure feeding to that, not only complements County Allegheny, County Butler, County Beaver, but it is West Virginia in its entirety, eastern Ohio in its entirety and parts of Maryland. So I want to underline that.

Mr. OBERSTAR. Thank you.

Mr. FOERSTER. We are going to have five international gates there too, Congressman, as part of this world competitiveness. One new flight by the Dutch, as an example, and we think they are coming here—one flight a day is going to mean $75 million to our economy here in this region. So we are after a lot of international business. We are establishing a world trade center here, we hope to get a start on it later this year. So we think we are trying to position ourselves to be world competitive. We—part of this global market, they took advantage of us in the past by unfair trade laws, but now we are going to turn the tables on them. We are going to be competitive with every other region in the world. That is why we need your help.

Mr. **Oberstar**. I am with you on that. Thank you.

Mr. **Kolter**. Mr. Rahall.

Mr. **Rahall**. I have no questions, Mr. Chairman, just to commend the panel on their expert testimony and the very efficient job that is being done.

Mr. **Foerster**. Thank you very much, Congressman.

Mr. **Kolter**. I would concur with that. This was an excellent panel, very enlightening. Thank you so very kindly.

Mr. **Foerster**. Thank you very much, gentlemen.

Mr. **Kolter**. We now have the mass transit panel; Bill Millar and Bruce Ahern, the Executive Director of the Beaver County Transit Authority. I want to caution my colleagues here, we have about 55 minutes and four panels. So we want to keep that in mind.

Which of you will lead it off here?

TESTIMONY OF WILLIAM W. MILLAR, EXECUTIVE DIRECTOR, PORT AUTHORITY OF ALLEGHENY COUNTY, PITTSBURGH, PA, AND BRUCE W. AHERN, EXECUTIVE DIRECTOR, BEAVER COUNTY TRANSIT AUTHORITY, ROCHESTER, PA

Mr. **Millar**. Okay, Mr. Chairman, I guess I am the designated one here.

First of all, Joe, we just want to say again how pleased we are that we are able to be with you and thank you very much for bringing this very distinguished committee to our region. We know just how important it is, and I want to thank you all personally for allowing Port Authority to assist you in your arrangements, and we were pleased that you were pleased that it all worked out.

With an eye to the fact that you are running late, I will try to be very brief, though I do have, I think—I tried to bring some statistics that I think will be of value to the Committee and then obviously during question and answer, we can expand as the Committee wishes.

I have submitted my testimony in writing and I would hope that that could be included in the record.

Mr. **Kolter**. Without objection, so ordered.

Mr. **Millar**. Thank you very much, sir.

First, I want to clarify—as Port Authority of Allegheny County, although Pittsburgh is one of the Nation's largest ports, we really do not have much to do with the port, we are really the buses, the trolleys, the incline planes and we run the world's largest paratransit service for elderly and handicapped persons. Every day we will serve 300,000 customers throughout Allegheny County and into several of the adjoining counties as well. We are the Nation's 12th largest transit system, multi-modal in its nature.

We have accomplished a lot at Port Authority and I will describe some of that later, and a lot of that has been accomplished with the help of this Committee, and we are very grateful for the federal mass transit program. We have some suggestions for perhaps improving it, which I will get to in a moment, but without that, we literally could not have the kind of transit system that we have today.

Also I want to thank this Committee and particularly its leadership, for their always foresight and forethinking in terms of what the nation needs in public transit. We were particularly supportive of the views and estimates that were given by the leadership to the Budget Committee. The $6.7 billion recommendation for public transit we would agree would be a very, very good thing for this nation, would help us defeat this recession we find ourselves in, put people back to work, ease congestion, improve productivity and on and on and on. So we support that very strongly.

While investments in public transit are done for a lot of good reasons, I know the focus here is economic development and that is where I want to center my remarks. First, we all know congestion is worsening. I am sure you have the records from around the various States. I have seen figures that indicate that every year we waste over two billion person-hours sitting in traffic. And that is certainly time lost, money lost, productivity lost.

We have seen the effects of decreased investment in our infrastructure, and I would hope the Committee is well aware of the work of Professor David Aschauer, who has indicated that because we have decreased our investment in infrastructure in this country, we have seen private investment depressed, we have seen reduction in productivity and on and on and on. So we think that we need to increase that.

We think a nation as rich as ours that has allowed its investment in transportation to decrease by 50 percent, as a percent of GNP, there is just no excuse for that. And we think that much of the economic malaise that we see in various parts of our country is due directly to that lack of investment.

When we do make investment though, our people respond. Our private sector responds, and I want to speak about just the results of some of the investments we have made with your help in just public transit.

You know, when people are on our buses and trolleys, and I want to use a phrase from a good friend of ours down in West Virginia, Vickie Schaeffer, who runs the transit system in Huntington. You know, Vickie says the people are on her buses either to earn money or spend money. And the same thing is true in our part of the country as well. The people on our trolleys, on our inclines, et cetera, are there to either earn money or spend money. And when you give them good service, they will use it.

For example, with the help of this Committee, we built the Nation's first system of busways, exclusive roadways for our buses. When we opened our south busway in 1977, we saw an immediate 25 percent increase in ridership. When we opened the Martin Luther King, Jr. east busway in 1983, we have seen over a 50 percent increase in ridership as compared when the buses were on the local streets. In 1987, we opened stage one of our light rail system, that is about half of the work that we have to do, but stage one opened, and since then we have seen a 55 percent increase in ridership after that public investment. And finally, our most recent investment which was made for us by the Pennsylvania Department of Transportation, were high occupancy vehicle lanes in the new I-279 expressway in Pittsburgh. In the 18 months since that has opened, merely taking the buses from the local streets and putting them on the HOV lanes, we have seen almost a 50 percent increase in ridership.

My point is this, if we build well-planned, good facilities that go where people want, they will in fact leave their car at home and come to public transit. And those who are already on public transit will gain many hours of savings through the course of the year through these investments. That is an increase in productivity and improvement of our competitiveness and better for all of our economy.

But we also see economic development in other ways. For example, when in the years prior to and since our subway has opened, we have seen seven of the ten new buildings in downtown Pittsburgh locate right at our subway stations. I do not think that is a coincidence, I think there is a real causal relationship there. On our east busway, same thing, new strip center, shopping centers in the area of the stations there, and et cetera, et cetera.

These projects that you have helped us with so far have already generated some two billion dollars in business revenues and over 50,000 new jobs over the 12 or 13 years of their construction and operation since then.

I would call to your attention—I believe you might be aware of this already—but our sister agency in southeastern Pennsylvania, the Southeastern Pennsylvania Transportation Authority, has recently published a study that shows there is nine dollars in local economic benefit from every one dollar invested in public transit. I have used much more conservative figures, but if that is true, then these numbers I have talked about here today could be tripled.

Also if you will allow that, this is a video that has been produced by the Pennsylvania Association of Municipal Transit Authorities, its focus is on "Transit means business in Pennsylvania", and it talks about the hundreds of thousands of jobs and other economic impact that have resulted from the investment in public transit, not only in big cities like Philadelphia and Pittsburgh, but in many smaller communities as well.

Well our plans for the future include an extension of our downtown subway, known as spine line; the rehabilitation of that remainder of the 12 miles of rail line that we have; an extension of our east busway and as I testified earlier, the building of a new airport busway so that we can get people to those job opportunities that that new Greater Pittsburgh Airport is going to afford.

We also have projects that are ready to go right now. For example, rehabilitating a number of our bus garages, and if money could be made available quickly, we could move that schedule up and put people back to work.

These projects I have just described are about two billion dollars worth of investment that we would like to undertake over the next ten years. They could generate as much as six and a half billion dollars in business revenues, perhaps 150,000 jobs over that time, and if the SEPTA figures are correct, over $18 billion worth of benefit to our community. No small amounts of money, particularly for an area of the state that has been as hard hit as we have seen in our tour yesterday.

But if these benefits are to occur and if these projects are to move on, obviously we have got to have the investment there. You know, the late Senator Heinz spoke of a three-legged stool, the need for Federal, State and local investment, to make these projects happen. And we are moving, Allegheny County, as Commissioner Foerster has testified, has always come up with its share of these projects and we are working in Harrisburg right now, keep our fingers crossed, to finally get some form of dedicated funding there. And now we really turn to the Federal picture. And here, I know this Committee is struggling hard with producing a new federal reauthorization. And if I might, I would like to make just a couple of comments.

First, while there are many ideas that need to go into that reauthorization, bottom line, we need the money if we are going to make these things happen. And we commend this Committee, and particularly its Chairman, for being frank with the American public, that if we want these investments, they are going to cost money.

We would like to see the trust fund balances spent down.

We would like to make sure that the two and a half cents for highways and public transit that was approved last fall actually gets spent. It is not being spent, as we understand it.

And finally, Mr. Chairman, we understand that there just might be the need for a nickel for America or something else that will allow us to get on with these investments.

And again, if I might, I would like to call to the Committee's attention an article that appeared in the New York Times last week, that talked about how since the Federal Government has been cutting back its investment and States and localities have had to increase their investment, and since their tax systems are much more regressive than the federal system, the drag that has on the economy. So if we are going to get these good investments, I think the federal taxes and the federal investment is going to have to be there.

Finally, just a few technical points before I turn it over to my colleague. We are in favor of operating assistance for all size communities, we believe that is essential. We believe that we need both formula and discretionary money, both gas tax money and general fund money, to have a well-balanced program. We are in favor of some limited flexibility between the highway and the transit portions of the investment program; however, we think this needs to be decided locally in the case of metropolitan areas, at the metropolitan level, and the MPO may be the right place to do that. However, the legislation should require that the MPOs be restructured along the lines of one person-one vote, to make sure that the decisions get made in a democratic basis.

We also feel that if we are going to make future improvement, we have got to have a major federally funded research program. A few years ago I had the privilege of chairing a research panel for the Transportation Research Board, which issued Special Report 213 that called on the need for a cooperative problem-solving research program in public transit. We think that is very important.

We think we also need a program that deals with both rural and urban transportation. We cannot leave anyone out.

And then finally, as you saw in your tour yesterday, this is an area that has really been hard hit economically in this part of the country, and yes, we know the new 1990 census has just come out and yes, we know that that will dictate some changes in the way funds are distributed around the country. But we must remember that communities such as ours that are already back on our heels from the departure of our major industry, should not be penalized by immediately shifting all the population formulas over to the 1990 census. After the 1980 census, there was a compromise reached that allowed that to be gradually phased in. We would ask for similar consideration as well.

Obviously I could go on and on, Mr. Chairman, but I want to thank you again for the opportunity to appear with you and now with your permission I will turn it over to Bruce Ahern from the Beaver County Transit Authority.

Mr. KOLTER. Go right ahead, Mr. Ahern.

[The prepared statement of Mr. Millar appears on page 212.]

Mr. AHERN. Thank you, Bill. Thank you, Congressman Kolter. My name is Bruce Ahern, and I am the Executive Director of the Beaver County Transit Authority located here in Beaver County, Pennsylvania.

So that you know a little bit about us, we are a small suburban and rural system outside of the City of Pittsburgh obviously. We operate 40 buses in both fixed route and para-transit services. And we have just completed our first major capital project which is the $2.4 million transportation and communication center in Rochester, Pennsylvania.

I want to thank you for inviting me to be here with you today to offer my thoughts on the role of transportation and economic development. As we continue toward the opportunity of reshaping national policy through federal reauthorization, this hearing is both timely and vitally important and your efforts here today to hold these field hearings are very much appreciated.

If our country is going to continue to be the dominant player in a global economy that grows more inter-dependent every day, there are few issues that can so affect our success more than the effectiveness of our transportation systems. Whether we are moving products and commodities to market or people to their jobs, how we choose to direct national policies is of vital importance.

Our infrastructure, in the broadest sense, urgently needs rehabilitation. Our transit systems, highways and bridges, communications, education and the environment. But the question before the American people is whether we are able to view spending on public works and services as an investment or an expenditure. It seems as though we tend to view investments as good, but the concept of investing is relegated often only to the private sector. Spending on public works and services, on the other hand, is viewed typically as just that, spending. And yet, recent studies by the Federal Reserve Board have shown that there is a strong return on public investment. It is no coincidence that many of America's major trading partners have seen national productivity rise in direct correlation to higher relative levels of public investment. Exhibit 1 attached——

Mr. **Kolter**. Would the gentleman yield? Bruce, do you intend to read the whole statement? Could you possibly paraphrase it?

Mr. **Ahern**. I would be happy to, Joe.

Mr. **Kolter**. Because we do have a limited time here.

Mr. **Ahern**. I would be happy to. Many of the things that I will comment on really have been, I suppose, said previously today.

The transportation and energy policies that we have before us need to move aggressively to change the deficiencies that we have had in the past. Even, as I noted in my testimony, Chrysler Chairman Lee Iacocca recently said that a higher gas tax is a no-brainer. Bill has referred to the need for resources. That is clearly what we need to have.

We need to also, I think, have better balance and diversification in the upcoming program. That has not been the case in recent years.

Lastly, we can talk a little bit about local decision-making and we have talked about the need for some flexibility at the local level. That again is very important.

Our regional transportation system—we talked a great deal about the new Mid-Field Terminal today. One thing I do not believe we have said is that the Regional Planning Commission has recently pegged a deficiency in its ten-year capital program of projects at $6.5 billion. Even our small transit system was projecting a $3.6 million shortfall in capital aid over the next five years.

Our system, if you would like to take a quick look at the recent support—local and state support of our small system in this fiscal year is just about $1.45 million versus 315,000 federal dollars to support our operation. So, you know, oftentimes at the federal level, we tend to hear that they want to leverage additional State and local aid. Well certainly, if you look at these numbers, the Federal Government has gotten the better bang for their buck here.

Okay, I think the last exhibit in my testimony is an important one. It is submitted by Transit Now, which is a coalition, a national coalition. Again, we are proposing the enactment of a five-year bill with all of the major themes that I do discuss in my testimony; better balance between highways and transit, better local decision-making and planning, all of those things. And I believe Congressman Kolter and Congressman Roe are certainly intent in taking this Committee forward into the 21st century with these themes as part of the next Surface Reauthorization Bill.

I appreciate your time today.

[The prepared statement of Mr. Ahern appears on page 106.]

Mr. **Kolter**. Thank you very much, Bruce and Bill. I do not have any questions here only because we do not have the time for them. But I do want to make an observation that whether you have a small transit company or a large one, you both have problems. And it is important that we recognize that fact at this level.

Mr. Chairman, do you have any questions?

The **Chairman**. Yes, I do. There is only one question I want to ask you. I think both of your testimonies have been excellent, I read them and I think you have summed the situation up both from the small and the larger transit units—let me be the devil's advocate.

The Administration recommends that if we have a population area of a million or more, we should not provide any more subsidy for mass transit. The State of New Jersey would lose $38 million. My Governor is having, in the Italian word, upset stomach, agita, on the issue—I knew I wanted to wake the audience up a minute on that.

Now it is not only they are losing the $38 million, the other people come back and say hey, look, if mass transit is now the new messiah, that is going to solve all of our problems, then we ought to be charging people the reasonable price, at least what it is costing us to run those systems. What is wrong with that, other than you guys run a mass transit system? But go ahead.

Mr. AHERN. Transit has always been a marriage of social and economic goals. And unfortunately that—I suppose we need to provide basic mobility for a great many reasons, certainly to get people to jobs, but also certainly in our case and Bill's, we need to get people out into a much better life style. I recall my father telling me you needed food, clothing and shelter. Well that is not the case today, today you also need mobility.

The CHAIRMAN. Buy a car, everybody has a car, the family has three or four cars.

Mr. AHERN. Well again, I think I did note in my testimony that the average person does not really realize what it costs to operate a car. If you exclude that part of their taxes that are going for subsidies, it costs about $1,700 a year to operate a car, versus in an apples and apples basis, about $700 a year for a transit ride.

Mr. MILLAR. Two-thirds of the 300,000 people who use our service every day do in fact have cars and could use a car if the transit system gets priced too high. If they choose to use a car, then it has been estimated we need 14 more lanes on our parkway system just to accommodate those cars, never mind the thousands of tons of additional hydrocarbons in our air, the additional parking space that is necessary, et cetera, et cetera, et cetera. Many of the public benefits of public transit come about by keeping the fairs at reasonable levels and the service levels up. That is why the benefits are there for the public at large.

The CHAIRMAN. Let me be devil's advocate a little bit further. Well I do not know why we should say that, our family has four automobiles. If there was any more kids there would be about 19 automobiles. It does not really matter what the price of gasoline is, they moan and groan if it is up a nickel or a dime, but they still run those automobiles. So how do we account for that? Do you think that because gasoline prices go up, that people get out of their cars and ride in mass transit?

Mr. MILLAR. I think it is more complicated than that. Certainly in the 1970s with the tremendous rise in fuel, we saw a big increase in transit ridership. When fuel became available and the price went down again, much of that ridership left. Last year when the fuel prices went up, we did not see a big increase in transit ridership because people had faith that somehow it was going to come down.

So we have to do things, a consistent investment policy is the best way to get the benefits of public transit so that people know that they can make their private investments patterned on the public investment and it will be there year after year. Also if we withdraw the operating assistance and the fares go up, then those people who can afford to use their cars, will use their cars. Thus they will not be supporting the public transit system and we will see the negative externalities that I spoke of before in air pollution, congestion, et cetera.

The CHAIRMAN. I thank the gentleman.

Mr. KOLTER. Mrs. Bentley.

Mrs. BENTLEY. Yes. Mr. Millar, I am very glad that you have emphasized the wasted numbers of hours in traffic jams and the fact that these are not taken into consideration when we are looking at how to improve our competitiveness and our efficiency.

Mr. MILLAR. Yes.

Mrs. BENTLEY. One of the things that I observed many years ago when I was in my favorite country, Japan, I went through one of the Toyota plants—was the fact that they only have a four-hour inventory on hand. That does assist tremendously in their production and efficiency and their competitiveness. And that is something that we need to strive for. We cannot strive for it if we have people sitting in traffic jams all the time. So this is an area that I hope you will keep emphasizing and—just so people understand what that means in dollars. Thank you.

Mr. MILLAR. Thank you. Yes, I agree with you.

Mr. KOLTER. The Chair recognizes Mr. Oberstar.

Mr. OBERSTAR. Just one question. I take for granted and accept all that you have said about transit and concur in the need to move people to transit. Do you do cost/benefit analyses? Is there such a process funded for that purpose of determining which makes better economic sense, short-term, long-term, adding more highway lanes or adding a transit system that fits the local need?

Mr. MILLAR. Yes, those kinds of studies are conducted at two levels. Our regional planning commission looks at those types of issues and obviously before we undertake any given project, we are required to go through the alternatives analysis process that does include those kind of calculations. So yes, sir, we do try to make those.

Mr. OBERSTAR. I think it is vitally important if we are to move people off the roadways and onto transit systems, the numbers you cited of costs between automobile transportation and transit use are right on the money. I have made those calculations myself in the case of our own family. The trouble is we live too far from the subway stop to make it economical.

Thank you, Mr. Chairman. I note for the record, one minute.

Mr. KOLTER. Right. The Chair recognizes Mr. Hammerschmidt.

Mr. HAMMERSCHMIDT. Mr. Chairman, I know that time is very short but we have a major opportunity here in Bill Millar, who runs the largest para-transit operation in the country. And the reason I mention this, Bill, is the Americans for Disabilities Act—I do not want to get into it comprehensively, but have you been able to cope with it? Or if you have anything to say about it, would you submit it for the record, if it is that important. But would you just comment briefly on that?

Mr. **Millar**. I will make a couple of comments. We began in the early 1970s working with our handicapped community, determining what they felt was best for our community. Their conclusion was a para-transit service. We agreed to implement it, we did. It is now not only the country's largest, but the world's largest, such service. However, as we reconstructed our rail system, as we built our busways, we have made them wheelchair accessible, again with the cooperation of our handicapped community. There is no doubt—we just bought our first wheelchair lift equipped buses for the first time. Those buses were $13,000 each more expensive because of the wheelchair lift. Our handicapped community is saying just because you have lifts on buses now, you cannot take access away from us, you cannot take our para-transit.

So I understand it is a civil rights issue and civil rights are supposed to have no price. But money is short and tough decisions will have to be made in that regard. We will be happy to submit additional specific details.

Mr. **Hammerschmidt**. Anything you would like to say about that for the record, we would be pleased to receive it.

Mr. **Millar**. We will be happy to supplement our comments that way, sir.

Mr. **Hammerschmidt**. Thank you.

Mr. **Kolter**. The Chair recognizes Mr. Borski.

Mr. **Borski**. Thank you, Mr. Chairman. I just want to thank our distinguished panelists for very eloquent statements on transit. You were right on and it is very much appreciated. I wish our Pennsylvania legislature great luck in passing a bill to get our dedicated funding source. I know the Secretary of Transportation was here earlier today telling us how much Pennsylvania is spending on transportation, and I am very happy to hear that, but I hope this dedicated source gets passed real soon.

Thank you, Mr. Chairman.

Mr. **Kolter**. You are welcome. The Chair recognizes Ms. DeLauro.

Ms. **DeLauro**. No questions.

Mr. **Kolter**. All right. I guess that concludes the questioning. I want to once again thank the panel for your very informational testimony. Thank you very kindly.

Mr. **Millar**. Thank you, we appreciate you being here.

Mr. **Kolter**. The Chair now recognizes the Fourth Congressional District County Commissioners; Jim Albert from Beaver County, Jim Green from Butler County, Beatrice States from Indiana County and Elizabeth Verterano from Lawrence County.

Which one of you four is going to lead us off? This being Beaver County, the host, Mr. Albert, do you want to be first?

TESTIMONY OF HON. JAMES ALBERT, CHAIRMAN, BEAVER COUNTY COMMISSION, BEAVER, PA; HON. JAMES A. GREEN, COMMISSIONER, BUTLER COUNTY COMMISSION AND CHAIRMAN, SOUTHWESTERN PENNSYLVANIA REGIONAL PLANNING COMMISSION, BUTLER, PA; HON. BEATRICE L. STATES, COMMISSIONER, INDIANA COUNTY COMMISSION, INDIANA, PA; AND HON. ELIZABETH M. VERTERANO, COMMISSIONER, LAWRENCE COUNTY COMMISSION, NEW CASTLE, PA

Mr. ALBERT. Absolutely. Since you are in Beaver County, I will be first.

I would like to welcome you and say goodbye to you at the same time. We have only got 25 minutes. I am glad that you did take the time to go down and take a good look at Aliquippa because I think Aliquippa in all probability gives you a good cross-section of what a number of the industrial towns in Beaver County look like. And if you will take that back as a memory, then I will not have to get into this long dissertation I have concerning our communities throughout the county.

I know you will have this on record, the five pages that I have. I attempted—for the sake of time, I tried to just get into a few of these. I am just going to make a couple of overviews, that we are concerned, we are very thankful that our big brothers in Allegheny County are constructing the international airport which is helping Beaver County and we are looking forward to it in 1992. But we are aware of the fact that we have a number of feeder roads down in Beaver County that we are going to have to contend with to get our people from Beaver County and to Allegheny County and that airport to work. So that is why we are concerned.

There are a number of our—41 percent of our bridges in Beaver County are in vital need of repairs. So we are looking at employment but we are looking at ways to get to that employment. And that is why we are very concerned, we want you folks and our friends that we have on the Transportation Committee when they go back to remember that a lot of our areas are in vital need of repair, Joe.

In all fairness to the other five folks here, I am just going to just—I wanted to glance through this to make sure that there were a couple of things that I touched on—we, being active with the Southwestern Regional Planning Commission, Beaver County is very energetic on it, and we realize that there are some ways—we are experimenting, we sat down and did a long study on attempting to find ways to finance some of these projects and to help you guys in Washington, you gentlemen and ladies down there. We know we cannot just always go down to Washington, DC to get all the money we need. But we are trying to figure out ways and we have had extensive—maybe Jim Green, my fellow Commissioner from Butler County here, might touch on some of this because we are attempting to help you guys out as far as finances.

Jim.

Mr. KOLTER. Thanks a lot, Jim. Jim Green from Butler County.

[The prepared statement of Mr. Albert appears on page 116.]

Mr. **Green**. I am Jim Green, Butler County Commissioner and Chairman of the Southwestern Pennsylvania Regional Planning Commission. SPRPC is made up of six counties and the City of Pittsburgh—Allegheny, Armstrong, Beaver, Butler, Washington and Westmoreland. SPRPC is a federally designated metropolitan planning agency responsible for transportation planning. And we thank you, Congressmen Kolter and Roe and the Committee, for this opportunity to speak about the powerful impact of the Appalachian Regional Commission and the Economic Development Administration.

They have been indispensable for a wide range of projects in our region. Grants for transportation projects have been especially important because our needs so greatly exceed available resources. I would like just to highlight a few of these key grants.

A $300,000 EDA grant is financing the access road to the Westmoreland County Business and Research Park. That industrial park will generate 2,000 jobs within the next ten years. In Washington County at a development called Southpointe, a $400,000 EDA grant is a vital piece of a $500 million public/private partnership. Southpointe will be a premier multi-use development in a county that lost thousands of manufacturing jobs in the 1980s. Here in Beaver County, EDA recently provided $17,000 for an Emergency Water Interconnect Study. ARC provided $1.3 million for a bridge near New Stanton in Westmoreland County. This grant enabled the Charley Brothers Corporation to build a modern food distribution center; it serves markets in Pennsylvania, Maryland, West Virginia and Ohio.

These and other infrastructure grants from ARC and EDA are immensely important to southwestern Pennsylvania. The transportation grants are especially important. Better highways and bridges are fundamental for attracting new industry and helping our long-standing firms to grow and prosper. These infrastructure investments are helping our region to restructure its economy and revitalize its depressed communities.

The infrastructure grants are also important because our region's needs are so great and the funds so short. SPRPC has documented a $10 billion transportation need and only $4 billion of Federal and State assistance. That leaves a 6 billion dollar shortfall. Without the investments of ARC and EDA, many transportation projects could not have been realized.

I will not elaborate further on the vital role that the Appalachian Regional Commission and Economic Development Administration play in southwestern Pennsylvania. Thank you for your considerable attention to these most important infrastructure programs.

Mr. **Kolter**. Jim, would you yield for a moment, please?

Mr. **Green**. Yes.

Mr. **Kolter**. We are having a very, very delicate problem here. We have two more panels after you.

Mr. **Green**. Okay, I am done.

Mr. **Kolter**. We have only 20 minutes.

Mr. **Green**. I got the message, Joe. I will just end up by saying that I certainly thank the Committee for this opportunity and I leave my testimony in your hands. Thank you for coming to western Pennsylvania.

Mr. **Kolter**. Thank you very kindly. We have to apologize—the Committee apologizes to you, you have been here all day I know, but we do have a plane to catch and we do have votes at 4:00 unfortunately.

[The prepared statement of Mr. Green appears on page 176.]

Mr. **Kolter**. Next, Bea States, Indiana County.

Ms. **States**. Thank you very much, Chairman Kolter, Chairman Roe, members of the Committee. I am very delighted that you are here today to listen to what we have to say, and I have three different reports written so I am very glad I had a summary sheet, I will use that. But you do have my detailed testimony and I hope that you will read it because I came specifically today to tell you how grateful we are in Indiana County from the support from the Appalachian Regional Commission and the Economic Development District.

It is very, very important to us because I come from a primarily rural county, population of currently 89,000 which has dropped over the last three years. Also our main industry there is the mining industry and in the past four years we have lost 1,200 positions through mining and recently had a letter from the largest coal operator in the county that in the next four months, we would experience 1,000 more jobs being lost. So because of this, we have to diversify our employment.

We have been very, very grateful for your support and it made it possible under the economic act due to our coal mine losses that we were able to receive from you a grant for which we are grateful, and we are developing 40 acres of land on county property, which will be used for an industrial park.

And we will also be able to hire 200 persons and we are very, very grateful for this opportunity and I do thank you for it. And I would like to say that EDA and ARC funding has been of great assistance to Indiana County and we are grateful for that. And we do hope that economic recovery will result in Indiana County.

And I personally thank you, Joe, for your intervention when we thought this money was lost. You came to bat for us and we did receive it and the industrial park is developing, please stop and see it.

Thank you very much.

Mr. **Kolter**. Thank you, Bea.

[The prepared statement of Ms. States appears on page 262.]

Mr. **Kolter**. Next, Beth Verterano, Lawrence County.

Ms. **Verterano**. Thank you. My name is Elizabeth Verterano, I am the Chairperson of the Lawrence County Board of Commissioners and a member of the nine county Southwestern Pennsylvania Regional Growth Alliance.

I will paraphrase what I have here and I have made some changes which perhaps, Joe, I can resubmit to you. I welcome the opportunity to be here today.

For those of you who are not familiar with the Southwestern Pennsylvania Growth Alliance, let me briefly state that it is a public/private partnership between the nine counties where we have attempted to identify regional problems and to work to solve them on a regional basis. Therefore, I would suggest to you that in times when dollars are very short and you have to establish priorities, perhaps you will give some consideration to dedicating funds to those regions that are willing and able to work together.

I think it is important that we note here that as far as I am concerned, I define infrastructure as the physical system which supports all economic activity. I believe it is the one essential ingredient in fostering new development and in retaining and strengthening existing businesses and industries. And as I list here, obviously both Lawrence County and southwestern Pennsylvania have a vast variety of roads, bridges, water and sewer systems and so forth. And this system at any given time certainly is both a vital asset and a growing liability; an asset for the development capacity it supports, and a liability for the maintenance and replacement costs which it imposes.

Obviously, at the federal, the State, and the local level priorities need to be set. But I think we are kidding ourselves if we believe that we can move this nation forward competitively without paying attention to our infrastructure. I do believe that the Federal Government must either strongly reconfirm or aggressively instill new methods and allocations of public finance to assist both the State and local governments in their development and maintenance responsibilities. One of the earlier panelists had referred to Professor David Allen Aschauer. If you look at my testimony, you will see that I give some quotes from him and statistics as to the return that you do get for your dollars if you are willing to invest them in the infrastructure.

More specifically, as far as Lawrence County is concerned, I would like to point out that at the current time development in our county is being hindered by the lack of sewer systems, and I would hope that as you look at all infrastructure needs, you certainly will not neglect that vital part of it.

Also, I would like to point out that we have been very hard hit, as have the other counties in this area, by unemployment and the loss of many manufacturing jobs. But I still believe that Lawrence County, despite our need to raise taxes ten mills over the last two years to meet State and Federal mandates, is sitting on the threshold of greater economic growth due to the construction of the new Pittsburgh Airport and the Beaver Valley Expressway. However, again, without support for secondary roads and sewer systems and help with industrial parks, we will not be in a position to take advantage of the opportunities that these two economic generators will create. Unlike my distinguished colleague from Allegheny County, Commissioner Foerster, Lawrence County does not have a large planning staff and people who can submit very detailed studies to you. So our growth, I believe is dependent upon working within the region and we are prepared to do that.

I would also quickly point out that Joe, you have been very helpful certainly with the New Castle Airport. We would hope that we could continue to see some funding there because I believe that we do have opportunities to make that airport into a feeder airport for greater Pitt and certainly the Erie airports.

Also, we have spoken with you about our work in trying to get an Amtrak stop in New Castle. In order to do that, we are working with our colleagues from Beaver County, Allegheny County, as well as the Mayor and other elected officials from eastern Ohio. That project will take approximately $10 million to help reconstruct missing parts of the corridor. I believe the city and the county are prepared to do their part in terms of actually constructing the "stop" that would be needed if we can get the basic help that is needed for the track.

Again, if you have questions, I would be happy to answer those and otherwise, I thank you for the opportunity to be here.

[The prepared statement of Ms. Verterano appears on page 315.]

Mr. KOLTER. You are welcome, Beth. I want to thank this panel. Please believe your testimony will be read and made a record of at this point in the record here.

Are there any questions among my colleagues here? I hope not. [Laughter.]

The CHAIRMAN. If you think he is making himself unpopular with his constituents, you can imagine what he is doing with his Committee.

No, I have no questions. I think you did a splendid job and we are very pleased to have you.

Mr. ALBERT. Joe, I just wanted to state, there is a listening audience out there in Beaver County. You have a copy of our report and I know you are from Beaver County, I will be in touch with you personally to make sure you read ours.

Mr. KOLTER. Thank you very kindly, Jim.

Thank you very kindly, the panel is excused.

I think what we have to do here with the remaining ten minutes, we will ask the last two panels to combine and form one large panel. It is a panel of the EDA and the ARC. So if you would, we have ten remaining minutes.

We have from EDA, Robert Ploehn and Patrick Miller. From the ARC, we have Earl Hord, David Edgerly, Cathy Cairns from Aliquippa and Mulugetta Birru from Pittsburgh.

VOICE. David Edgerly is not here.

Mr. KOLTER. He is not here, okay.

Would you care to start? You know, you will have to paraphrase your statement here. Like I said, we have exactly 11 minutes here unfortunately.

Mrs. BENTLEY. Mr. Chairman.

Mr. KOLTER. Mrs. Bentley.

Mrs. BENTLEY. Since we have heard very little from any women this morning, I would suggest that you start with Cathy Cairns. [Laughter.]

Mr. KOLTER. Cathy, will you please initiate the panel here with your testimony?

Ms. CAIRNS. Sure, I will do a fast two minutes.

TESTIMONY OF ROBERT H. PLOEHN, EXECUTIVE DIRECTOR, GREATER ERIE INDUSTRIAL DEVELOPMENT CORPORATION; PATRICK M. MILLER, DIRECTOR, GREATER ALTOONA ECONOMIC DEVELOPMENT CORPORATION; EARL F. HORD, VICE PRESIDENT, MINORITY ENTERPRISE PARTNERSHIP, ENTERPRISE CORPORATION OF PITTSBURGH; CATHY CAIRNS, EXECUTIVE DIRECTOR, ALIQUIPPA ALLIANCE FOR UNITY AND DEVELOPMENT, ALIQUIPPA DEVELOPMENT CORPORATION, ALIQUIPPA, PA, AND MULUGETTA BIRRU, EXECUTIVE DIRECTOR, HOMEWOOD BRUSHTON REVITALIZATION AND DEVELOPMENT CORPORATION, PITTSBURGH, PA

Ms. Cairns. Most of you have seen Aliquippa. There are many, many reasons why——

Mr. Kolter. Can you speak into the microphone?

Ms. Cairns. Sure. You have all been to Aliquippa. There are many, many reasons why Aliquippa is in the shape it is in, a lot of it had to do with the closure of the mill. More of it has to do with selective financing for projects on the periphery of Aliquippa, instead of including Aliquippa in development plans.

The Aliquippa Alliance is one of the few programs in Beaver County, probably the only one, that has received Appalachian Regional Commission funds for at-risk youth education programs. We received about $25,000 from the ARC. In the past four years we have spent over half a million dollars with the majority of that actually being private funds. And we have had very, very good success with that.

What we would like to see would be for more money to be focused on the youth of these distressed communities so that they are not lost out of the work force. We would like to see them targeted to areas of serious need and we would like to see community grassroots groups actually have access to the funds.

That is basically what we came to talk about.

Mr. Kolter. I am going to tell you that on our tour in Aliquippa yesterday afternoon, we were truly impressed with the people there, the Mayor, your elected officials. They truly painted the picture just as you have painted yourself.

[The prepared statement of Ms. Cairns appears on page 125.]

Mr. Kolter. Next, Earl Hord.

Mr. Hord. I will go next, if I may, Mr. Chairman. My name is Earl Hord, H-o-r-d, and I am President of the Minority Enterprise Corporation of Southwestern Pennsylvania, and in deference to the time, I will not read my testimony either.

Mr. Kolter. Thank you.

Mr. Hord. But I would like to remind the Committee that it is small businesses that is the engine that drives the American economy. And what my corporation is all about is starting small businesses. We try to help minorities in southwestern Pennsylvania start businesses.

Greater Pittsburgh, like most major metropolitan areas, has far too few minority owned businesses. And I believe that many of the social ills that plague us are really economic problems and if we can begin to solve some of those problems some of the other issues may very rapidly go away.

The Appalachian Regional Commission has been instrumental in launching this corporation, and as I said, its primary goal is the creation of jobs.

Since March of 1989, we have provided service to more than 173 minority entrepreneurs. We have assisted in the formation of 26 new businesses, 70 new jobs that resulted from these 26 new ventures. We have raised or helped to raise $1.4 million in debt financing for these businesses and $1.8 million in equity. During this two-year period, we have run four seminars which have been attended by over 200 minority and female entrepreneurs.

Now the American economy is based on small businesses and if we are going to really begin to compete and compete effectively internationally, we have to make effective use of all of our resources. It is imperative that organizations like the Appalachian Regional Commission remain adequately funded so they can continue to support organizations such as the one that I run. In that way we can begin to solve some of the major problems in our major cities.

[The prepared statement of Mr. Hord appears on page 185.]

Mr. KOLTER. Thank you, Mr. Hord. Mr. Birru.

Mr. BIRRU. Mr. Chairman, I am here to represent the Homewood-Brushton community in the eastern part of Pittsburgh. The community declined from about 40,000 people in 1950 to about 11,000 right now. Businesses have left and by 1980, there was virtually no business left in the Homewood-Brushton community.

The community got together, formed a Board of Directors, and formed a public/private partnership and started to secure funding from a number or organizations, including the Appalachian Regional Commission. We received $2 million in funding from the ARC which was highly leveraged with a number of other fundings, both from foundations, corporations, the city and the state. And we have been able to make a major turnaround in the last seven years.

We have been able to bring in 50 businesses into other area and about 28 businesses with the help of the Appalachian Regional funding.

One of the most difficult aspects we have in our communities is the depressed real estate value. We do developments that may cost half a million and they are appraised probably at about 25 percent of the development cost. Now even the federal funding is not enough. We go and leverage the federal funding that we get, go to foundations, going to probably 12 to 15 other sources to raise the money to do all the real estate development necessary to bring the business back into our community.

Programs like the ARC are extremely essential. Because of their funding we have been able to bring a lot of hope to a community that was totally in despair for the last 25 years or so. And with the help of such funding from the ARC, we have been able to bring a community into some hope and into being a viable community in the eastern part of Pittsburgh.

I hope this is a good summary.

Mr. KOLTER. Thank you very kindly.

[The prepared statement of Mr. Birru appears on page 121.]

Mr. **Kolter**. Next, Mr. Miller.

Mr. **Miller**. Thank you. You have my testimony, the written testimony for the record, so I am not going to even present anything.

But I would be remiss on behalf of the City of Altoona not to thank the Committee on Public Works and Transportation and Congressman Shuster for all the efforts you have provided us in terms of our new highways. They have made a major difference.

Thank you.

Mr. **Kolter**. You are welcome, Mr. Miller.

[The prepared statement of Mr. Miller appears on page 224.]

Mr. **Kolter**. Now, Mr. Ploehn.

Mr. **Ploehn**. Yes, good afternoon. I am going to summarize also. I am going to talk a little about a little different aspect of the Economic Development Administration this afternoon and that is we have been hearing about grants and dollars and I have administered five EDA grants and two ARC grants. But I think the important point of the Economic Development Administration system is the way it is staffed and the fact that we have local economic development representatives tour the State who are in effect circuit riders for technical assistance on economic development. It means a real lot to the rural communities of Erie County and I know to northwest Pennsylvania, to have talent going around speaking with each community, speaking with the leaders of each community, speaking with the elected leaders, the industrial leaders and working out economic development solutions to the problems up in northwestern Pennsylvania.

So I want to thank you for funding the Administration and for continuing the funding and hopefully to increase the funding.

Thank you.

[The prepared statement of Mr. Ploehn appears on page 228.]

Mr. **Kolter**. Very good, Mr. Ploehn. We do want to thank this panel and thank you for your understanding here. Your testimony we have copies of, it will be part of the record here.

Are there any questions from the panel, from my colleagues here?

Mrs. **Bentley**. I have one statement to make, Mr. Chairman.

Cathy Cairns, we have heard that you have really been one to give some life again to Aliquippa, that the people there have been very, very despondent and you have been just a bright light there. And there is one statement here in her prepared statement that I think should be read here and why it is so important, Mr. Chairman, for what you did yesterday regarding Aliquippa.

It says, "Door-to-door surveys conducted by the Alliance in five neighborhoods surrounding the central business district indicate that fewer than 14 percent of all households actually have full time jobs." That is a startling, startling figure. And I know you probably heard, Cathy, that the Chairman yesterday said we were adopting Aliquippa and we are going to work very, very hard to back you up in all of your efforts, and all of the people there.

We do want to thank each and every one of you for all that you are doing in this area.

Mr. **Kolter**. The panel is excused. Thank you very kindly.

I do want to say in closing that I want to once again thank Dr. McFarland and Geneva College for the use of its facility here. I want to take time to thank the Committee staff from both the minority committee and the majority committee. I want to thank my staff people for their endeavors here today and yesterday.

The hearing is adjourned.

[Whereupon, at 1:53 p.m., the subcommittee ajourned.]

PREPARED STATEMENTS OF WITNESSES

TESTIMONY OF

BRUCE W. AHERN
Executive Director
Beaver County Transit Authority

Before the

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES
HONORABLE JOSEPH P. KOLTER, CHAIRMAN

June 3, 1991

McCartney Library
Geneva College
Beaver Falls, PA

GOOD MORNING MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE. MY NAME IS BRUCE W. AHERN, AND I AM THE EXECUTIVE DIRECTOR OF THE BEAVER COUNTY TRANSIT AUTHORITY (BCTA) LOCATED IN ROCHESTER, PENNSYLVANIA. I THANK YOU FOR INVITING ME TO BE WITH YOU HERE TODAY TO OFFER MY THOUGHTS ON THE ROLE OF TRANSPORTATION IN ECONOMIC DEVELOPMENT. AS WE CONTINUE TOWARD THE OPPORTUNITY OF RESHAPING NATIONAL TRANSPORTATION POLICIES VIA FEDERAL REAUTHORIZATION, THIS HEARING IS BOTH TIMELY AND VITALLY IMPORTANT. YOUR EFFORTS TO HOLD THESE FIELD HEARINGS ARE MUCH APPRECIATED.

I PARTICULARLY WISH TO THANK CHAIRMAN ROE AND CONGRESSMAN JOE KOLTER FOR ORGANIZING THESE IMPORTANT HEARINGS AND HOPE THAT THEY ARE PRODUCTIVE FOR YOU.

IF THIS COUNTRY IS TO CONTINUE TO BE THE DOMINANT PLAYER IN A GLOBAL ECONOMY THAT GROWS MORE INTERDEPENDENT EACH DAY, THERE ARE FEW ISSUES THAT CAN SO EFFECT OUR SUCCESS MORE THAN THE EFFECTIVENESS OF OUR TRANSPORTATION SYSTEMS. WHETHER WE ARE MOVING PRODUCTS AND COMMODITIES TO MARKET OR PEOPLE TO THEIR JOBS, HOW WE CHOOSE TO DIRECT OUR NATIONAL POLICIES AND INVESTMENT STRATEGIES IS OF VITAL IMPORTANCE.

OUR INFRASTRUCTURE, IN THE BROADEST SENSE, URGENTLY NEEDS REHABILITATION: OUR TRANSIT SYSTEMS, HIGHWAYS AND BRIDGES, COMMUNICATIONS, EDUCATION AND OUR ENVIRONMENT. THE QUESTION BEFORE THE AMERICAN PEOPLE IS WHETHER WE ARE ABLE TO VIEW SPENDING ON PUBLIC WORKS AND SERVICES AS AN INVESTMENT OR AN EXPENDITURE. IT SEEMS AS THOUGH WE TEND TO VIEW INVESTMENTS AS GOOD; BUT THE CONCEPT OF INVESTING IS PERCEIVED AS BEING RELEGATED ONLY TO THE PRIVATE SECTOR. SPENDING ON PUBLIC WORKS AND SERVICES IS VIEWED AS JUST THAT -- SPENDING. AND YET, RECENT STUDIES HAVE SHOWN THAT THERE IS A STRONG RETURN ON PUBLIC INVESTMENT. IT IS NO

COINCIDENCE THAT MANY OF AMERICA'S MAJOR TRADING PARTNERS HAVE SEEN NATIONAL PRODUCTIVITY RISE IN DIRECT CORRELATION TO HIGHER RELATIVE LEVELS OF PUBLIC INVESTMENT. EXHIBIT 1 ATTACHED TO MY TESTIMONY GRAPHICALLY ILLUSTRATES THIS POINT.

PERHAPS AS WE CONSIDER WHERE WE ARE GOING, IT WOULD BE WISE TO TAKE A LOOK AT WHERE WE HAVE BEEN. WHAT HAVE BEEN THE RESULTS OF OUR PAST POLICIES?

FIRST, WE NEED TO RECOGNIZE THAT WE HAVE IN FACT NEVER REALLY HAD CLEARLY DEFINED NOR COORDINATED POLICIES FOR TRANSPORTATION, ENERGY, THE ENVIRONMENT, AND LAND USE. RECENT EFFORTS BY THE BUSH ADMINISTRATION SHOULD BE APPLAUDED AS GOOD BEGINNINGS, BUT FALL FAR SHORT OF BEING VISIONARY.

SPECIFICALLY IN REGARD TO TRANSPORTATION AND ENERGY POLICIES, WE HAVE FAILED TO RECOGNIZE A VERY REAL NATIONAL ADDICTION TO OIL AND THE PRIVATE AUTOMOBILE. THE FREEDOM OF THE OPEN ROAD IS A GREAT LIFESTYLE IF WE CAN AFFORD IT. BUT CAN WE? CHEAP GAS AND PAVING OUR WAY OUT OF TRAFFIC CONGESTION HAVE BEEN OUR LEGACY, BUT THESE "UNWRITTEN POLICIES" HAVE NOT WORKED.

THE ASSOCIATED COST IS VERY HIGH IN TERMS OF DECLINING AIR QUALITY AND RESULTING HIGH HEALTH CARE COSTS, DEPENDENCE ON FOREIGN OIL, AND PERHAPS MOST IMPORTANTLY THE INDIVIDUAL PRODUCTIVITY OF THE AMERICAN WORKER WHO NOW FINDS HIMSELF OR HERSELF SITTING IN TRAFFIC MORE THAN EVER BEFORE.

TRANSPORTATION AND ENERGY POLICIES FOR THE 21ST CENTURY NEED TO RECOGNIZE MISTAKES OF THE PAST AND MOVE AGGRESSIVELY TO CORRECT THEM IN SPITE OF THE TOUGH MEDICINE THAT IS REQUIRED. FOR EXAMPLE, WE NEED TO RECOGNIZE THAT, ADJUSTED FOR INFLATION, THE PRICE OF GAS IN THE U.S. TODAY IS CHEAPER THAN AT ANY TIME IN OUR HISTORY. EVEN

CHRYSLER CHAIRMAN LEE IOCCOCA RECENTLY NOTED, "A HIGHER GAS TAX IS A NO-BRAINER."

WE NEED TO RECOGNIZE THAT FEW U.S. DRIVERS EVEN UNDERSTAND THE TRUE COST OF AUTO USE. FOR EXAMPLE, WHEN YOU FACTOR IN FUEL, MAINTENANCE, INSURANCE, AND FINANCE CHARGES, BUT EXCLUDE THE PORTION OF THEIR TAXES THAT GOES TOWARD DRIVING SUBSIDIES, THE AVERAGE AMERICAN PAYS ABOUT $1700 PER YEAR JUST TO GET TO WORK. THAT CONTRASTS TO AN AVERAGE OF $700 PER YEAR FOR A COMPARABLE TRANSIT TRIP.

WE NEED TO ALSO RECOGNIZE THAT THE NEED TO IMPROVE TRANSPORTATION INFRASTRUCTURE IS NOT JUST A BIG CITY CONCERN. THE ECONOMIC HEALTH OF SUBURBAN AND RURAL AREAS LIKE BEAVER COUNTY DEPENDS VERY MUCH ON ITS TRANSPORTATION SYSTEM.

ANY EFFECTIVE INVESTMENT STRATEGY DEPENDS ON BALANCE AND DIVERSIFICATION. EXHIBIT 2 ILLUSTRATES THE LACK OF BALANCE IN FEDERAL INFRASTRUCTURE EXPENDITURES DURING THE 80'S WITH THREE TO FOUR TIMES AS MUCH INVESTED IN HIGHWAYS AS IN TRANSIT.

IN SPITE OF MASSIVE SPENDING ON OUR NATION'S HIGHWAYS TO ADD CAPACITY, WE NOW FIND OURSELVES IN A TIME WHERE MANY OF OUR CITIES HAVE DECLINING AIR QUALITY, CONGESTION DELAYS THAT ARE WORSE THAN EVER, AND WE HAVE A NATIONAL TRADE DEFICIT THAT IS DOMINATED BY A MASSIVE NEED FOR FOREIGN OIL. FOR THE MOST PART, WE HAVE VIRTUALLY IGNORED THE CONTRIBUTION THAT TRANSIT CAN MAKE IN A BALANCED INVESTMENT STRATEGY.

LASTLY, WE MUST PROVIDE FOR LOCAL DECISION-MAKING THAT IS SYSTEM-ORIENTED; THAT IS, NOT FAVORING ONE MODE OVER ANOTHER, BUT RATHER, AN INTERCONNECTED NETWORK OF AIR, GROUND, AND WATER TRANSPORT THAT WORKS TOGETHER.

IN SOUTHWESTERN PENNSYLVANIA, WE ARE IN A TIME OF UNPARALLED OPPORTUNITY. OUR NEW AIRPORT TERMINAL WILL PLACE OUR REGION VIRTUALLY ON THE DOORSTEP OF GROWING INTERNATIONAL TRADE. HOWEVER, OUR "SYSTEM" WILL SUFFER UNLESS WE ARE ABLE TO INVEST IN NEW CAPACITY TO OUR GROUND TRANSPORT SYSTEM WITH BALANCE. OUR REGIONAL PLANNING COMMISSION HAS PEGGED THE PROJECTED GAP IN ITS 10-YEAR PROGRAM OF CAPITAL PROJECTS AT $6.5 BILLION. BCTA IS CURRENTLY PROJECTING A $3.6 MILLION SHORTFALL IN CAPITAL AID OVER THE NEXT FIVE YEARS. THAT LEVEL OF FUNDING IS SIMPLY NOT GOING TO BE AVAILABLE FROM STATE AND LOCAL SOURCES.

IN LOOKING AT OUR OWN OPERATIONS AT BCTA, YOU SHOULD BE AWARE THAT STATE AND LOCAL SUPPORT OF OPERATIONS FOR THIS FISCAL YEAR TOTALS $1.45 MILLION VS. $315,000 IN FEDERAL OPERATING SUPPORT. AND IF YOU QUESTION THE NEED FOR PUBLIC TRANSIT SERVICES, OUR RIDERSHIP WILL REACH RECORD LEVELS AGAIN THIS YEAR IN SPITE OF RELATIVELY HIGH FARES.

IN ORDER, TO CONTINUE TO PROVIDE FOR BASIC MOBILITY AS WE HAVE, THE FEDERAL ROLE MUST CHANGE. TO SUCCEED, WE MUST BE WILLING TO OVERHAUL MANY ARCHAIC POLICIES. FOR EXAMPLE, WE MUST MAKE AUTO DRIVERS PAY MORE OF THE TRUE COST OF DRIVING. OPTIONS FOR DOING THAT HOWEVER REQUIRE DIFFICULT POLITICAL CHOICES SUCH AS HIGHER GAS TAXES (EXHIBIT 3), VEHICLE REGISTRATION FEES, OR HIGHWAY TOLLS. PARKING AND TAX POLICIES THAT CURRENTLY PROVIDE STRONG DISINCENTIVES FOR TRANSIT USE MUST BE REVERSED. AND UNDOUBTEDLY THE BIGGEST HURDLE WE WILL FACE IN MAKING THESE CHANGES IS THE POWER OF THE OIL AND HIGHWAY LOBBIES.

ALL OF THESE MAJOR THEMES - HIGHER USER FEES, BALANCE, POLICY COORDINATION, AND STRONGER LOCAL PLANNING AND DECISION MAKING ARE EMBODIED IN RECOMMENDATIONS (EXHIBIT 4) PRESENTED FOR YOUR CONSID-

ERATION DURING DEBATE ON REAUTHORIZATION BY TRANSITNOW, A BROAD NATIONAL COALITION REPRESENTING TRANSIT SYSTEMS, SUPPLIERS AND VENDORS, CHAMBERS OF COMMERCE, ENVIRONMENTALISTS, AND MANY OTHERS.

AS YOU WILL NOTE, WE HAVE PROPOSED A NEW FIVE-YEAR REAUTHORIZATION SUPPORTED BY BOTH GENERAL FUNDS AND USER FEES. WE HAVE RECOMMENDED A FIRST YEAR PROGRAM OF $5.5 BILLION AND MAINTAINING OPERATING ASSISTANCE FOR ALL SYSTEMS. IT IS HIGH TIME THAT THE ADMINISTRATION STEP UP TO THE PLATE WITH ADEQUATE RESOURCES.

TWO PROPOSALS FOR REAUTHORIZATION HAVE RECENTLY BEEN INTRODUCED INTO THE SENATE - S.1160 AND S.1194. A THIRD WILL BE INTRODUCED BY SENATOR ALAN CRANSTON AS EARLY AS THIS WEEK. WHILE THESE BILLS DIFFER IN SOME RESPECTS, THEY ALSO HAVE A NUMBER OF AREAS OF CONCENSUS INCLUDING HIGHER LEVELS OF FUNDING AND AN IMPROVED STRUCTURE FOR THE TRANSIT PROGRAM.

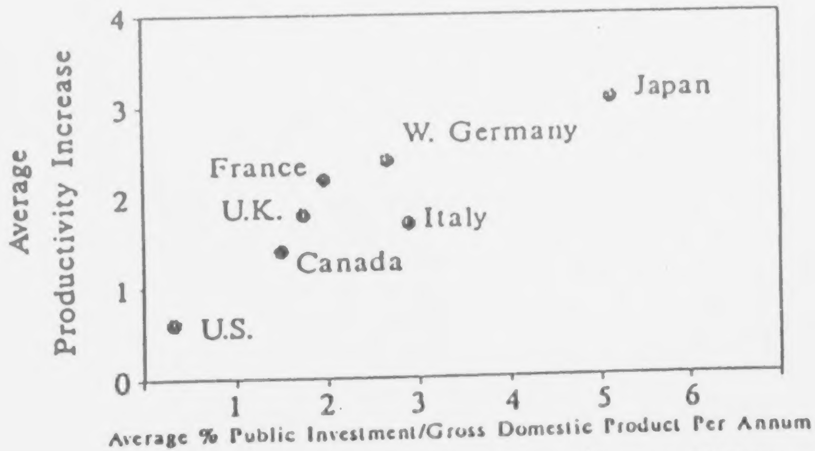
I URGE YOU TO PLACE A STRONG AND BALANCED REAUTHORIZATION BILL BEFORE THE PRESIDENT AS SOON AS POSSIBLE. A FAR-SIGHTED NATIONAL TRANSPORTATION PROGRAM IS A POWERFUL CATALYST TO NEW ECONOMIC GROWTH.

THANK YOU FOR YOUR KIND ATTENTION THIS MORNING.

EXHIBIT 1

Average Productivity Growth Per Annum

Public Investment and Productivity
1973-1985



Source: David Aschauer, Federal Reserve Bank of Chicago

EXHIBIT 2

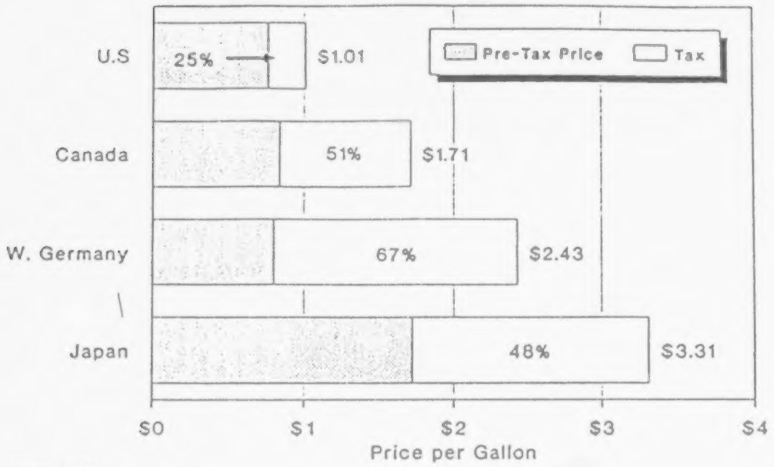
Table 1-2—Federal Infrastructure Expenditures, 1980-88 (1984 dollars in millions)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Total	$37,164	$35,520	$29,312	$29,009	$29,594	$30,805	$32,240	$28,171	$28,656
Transportation:									
Highways	11,112	10,008	8,204	8,790	9,991	11,796	12,639	10,999	11,746
Mass transit	3,858	4,164	3,930	3,618	3,539	3,090	2,984	2,849	2,740
Rail	2,852	3,993	2,188	1,322	1,473	989	817[a]	722	512
Aviation	4,344	4,057	3,526	4,199	4,347	4,455	4,671	4,690	4,874
Shipping[b]	2,601	2,533	2,687	2,857	2,795	2,886	3,480	2,940	2,571
Water resources[c]	4,927	4,396	3,948	3,755	3,777	3,717	3,548	3,214	3,333
Environmental:									
Water supply	1,380	1,291	599	918	700	705	783	134[d]	449[d]
Wastewater	6,089	5,079	4,231	3,551	2,971	3,167	3,317	2,624	2,430

[a] Drop in expenditure reflects sale of Conrail.
[b] Maritime Administration.
[c] Principally ports and inland waterways.
[d] Low spending figures for water supply in 1987 and 1988 reflect repayments of Farmer's Home Administration water supply loans.

SOURCE: Congressional Budget Office estimates, based on Office of Management and Budget historical data.

1989 International Gasoline Prices and Tax Rates



Source: APTA

EXHIBIT 3

AMERICA'S COALITION FOR
TRANSIT NOW

1991 REAUTHORIZATION OF THE SURFACE TRANSPORTATION AND UNIFORM RELOCATION ASSISTANCE ACT

The objective of America's Coalition for Transit NOW is enactment of major increases in federal funding for all aspects of public transit as a key step toward increasing transit investment from all sources.

With this purpose in mind, Transit NOW offers the following recommendations for enactment of new federal surface transportation legislation:

1. Enactment of a 5-year bill;
2. Provisions which assure a stronger linkage between federal transportation investment and major national goals, including enhanced mobility and greater accessibility for people with disabilities, reduced congestion, increased economic development, productivity and competitiveness, increased energy conservation, improved air quality; and expanded services for transit-dependent people;
3. Major increases in federal investment in transit and other forms of high-occupancy, shared-ride transportation services, including increased capital, operating and research and development funding for urban, small urban and rural services;
4. Continued commitment of both general funds and user fees to support increased federal transit investment;
5. Increased local decision-making in the use of available funds;
6. Provisions which assure better balance in the availability and use of transportation funds, and equal consideration of transit and other transportation improvements to achieve major national goals:
   - make all matching ratios equal;
   - broaden project eligibility;
   - assure support for maintenance and reinvestment in existing systems and services; and
   - equalize tax treatment of employer-provided transit and parking subsidies;
7. Enhanced equity, reliability and stability in the flow of funds through greater reliance on formula distribution mechanisms.

AMERICA'S FUTURE RIDES ON TRANSIT

BUS • SUBWAY • LIGHT RAIL • HOV LANE • CARPOOL • VANPOOL • COMMUTER RAIL • HIGH SPEED RAIL

1317 F STREET, NW 6TH FLOOR WASHINGTON, DC 20004 202-638-0215 FAX 638-7045

EXHIBIT 4

JUNE 3, 1991

HONORABLE JOSEPH KOLTER, CHAIRMAN
CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
SUB COMMITTEE ON ECONOMIC DEVELOPMENT
PUBLIC WORKS AND TRANSPORTATION COMMITTEE

DEAR CHAIRMAN KOLTER:

AS CHAIRMAN OF THE BEAVER COUNTY BOARD OF COMMISSIONERS, I WANT TO THANK YOU FOR GIVING ME THE OPPORTUNITY TO EXPRESS THE CONCERNS AND PROBLEMS WE FACE HERE IN BEAVER COUNTY RELATING TO TRANSPORTATION. IN FACT, WE MUST LOOK BEYOND OUR OWN PRIMARY INTEREST AND SAY THAT OUR CONCERNS AND PROBLEMS ARE AT LEAST REGIONAL AND OBVIOUSLY EXTEND TO THE COMMONWEALTH AND THE ENTIRE UNITED STATES.

UNDERSTANDINGLY, THE BOARD OF COMMISSIONERS FOCUSES ON THE ROADS AND BRIDGES THAT HAVE A DIRECT IMPACT ON BEAVER COUNTY AND CONTIGUOUS COUNTIES THAT DIRECTLY EFFECT OUR NEEDS. WHILE COUNTY-OWNED BRIDGES ARE IN REASONABLE REPAIR, TWO OF THESE REQUIRE CONTINUING AND ESCALATING MAINTENANCE COSTS. THE AMBRIDGE/ALIQUIPPA BRIDGE WILL SOON REQUIRE MAJOR RENOVATIONS ALONG WITH THE FALLSTON BRIDGE. BOTH ARE OLD AND THE FALLSTON BRIDGE SHOULD BE REPLACED AND POSSIBLY RELOCATED. WE CAN ADD TO THE LIST THE GROWING NUMBER OF SMALLER BRIDGES IN LESS POPULATED AREAS THAT WILL FURTHER STRAIN RESOURCES TO THE BREAKING POINT AND WILL BECOME PRIORITY AS THE MORE REMOTE AREAS ARE DEVELOPED FOR RESIDENTIAL, COMMERCIAL AND INDUSTRIAL USES.

ACCORDING TO RECENT STUDIES, 41% OF THE BRIDGES IN THE COUNTY ARE DEFICIENT AND NEED MAJOR REHABILITATION. THE ALIQUIPPA/AMBRIDGE BRIDGE IS BUT ONE OF THESE. A RECENT STUDY OF TRANSPORTATION IN THE ALIQUIPPA/AMBRIDGE ENTERPRISE ZONE RECOMMENDED THE RELOCATION OF THIS BRIDGE TO FOSTER INDUSTRIAL, COMMERCIAL AND RESIDENTIAL INTERCHANGE BETWEEN THE EAST AND WEST SIDES OF THE OHIO RIVER. YET FEDERAL, STATE AND LOCAL FINANCIAL RELOCATION IS BEYOND THE REALM OF POSSIBILITY WITHOUT FEDERAL AND STATE ASSISTANCE. ANOTHER BRIDGE PROJECT INVOLVES THE DESIGN AND CONSTRUCTION OF A NEW BRIDGE BETWEEN BEANER HOLLOW ROAD IN BRIDGEWATER AND JUNCTION STRETCH IN NEW BRIGHTON. THIS BRIDGE IS NECESSARY TO EXPEDITE AMBULANCE SERVICE TO THE MEDICAL CENTER WHICH NOW INVOLVES CONSIDERABLE TIME AND DISTANCE TRANSPORTING INJURED OR ILL RESIDENTS DURING LIFE THREATENING SITUATIONS. EXISTING ROUTES INVOLVE EMERGENCY VEHICLES TRAVELING THROUGH CONGESTED URBAN AREAS AND BACK-TRACKING TO THE MEDICAL CENTER, OR THE USE OF NARROW ROADS WITH EXTREME TURNS CAUSING VEHICLES TO SLOW IN ORDER TO NEGOTIATE THESE ROUTES. THE TIME LOST BECAUSE OF URBAN CONGESTION AND LIMITED ROAD SPEEDS MAY, IN MANY CASES, BE THE DIFFERENCE BETWEEN LIFE AND DEATH. AN ALTERNATIVE ROUTE TO THE HOSPITAL MUST BE CONSTRUCTED TO SAVE TIME AND POSSIBLY LIVES. A NEW BRIDGE WILL FOSTER THESE TIME SAVING ENDEAVORS.

A SPECIFIC PROJECT THAT HAS A TOP PRIORITY FOR BEAVER COUNTY IS THE MID-VALLEY EXPRESSWAY (LOCALLY REFERRED TO AS CROWS RUN). THIS WOULD LINK ROUTE 65 TO THE JUNCTURE OF ROUTES 19, 79 AND THE PENNSYLVANIA TURNPIKE. CURRENT CONNECTING ROADS PROBABLY DATE BACK TO WAGON TRAILS AND ARE 2-LANE, DANGEROUS FOR TRUCK TRAFFIC AND PARTICULARLY HAZARDOUS IN WINTER BECAUSE OF HILLY TERRAIN. THIS EXPRESSWAY WOULD PROVIDE SAFE ACCESS BETWEEN TWO MAJOR ARTERIES AND UNLIMITED LAND DEVELOPMENT POTENTIAL IN THE AREAS TRAVERSED. WHILE INITIAL FEDERAL FUNDS HAVE BEEN ALLOCATED AND PENNDOT IS EVALUATING OPTIONS ON RIGHT-OF WAY, WE NEED COORDINATED PRESSURE TO MOVE FORWARD.

THE COMPLETION OF THE BEAVER VALLEY EXPRESSWAY AND THE NEW MID-FIELD TERMINAL OF THE GREATER PITTSBURGH INTERNATIONAL AIRPORT, BOTH SCHEDULED FOR COMPLETION IN 1992, WILL SIGNIFICANTLY INCREASE ALL TYPES OF VEHICULAR TRAFFIC IN BEAVER COUNTY AND SURROUNDING AREAS. THESE PROJECTS, WILL PRESENT TREMENDOUS DEVELOPMENT POTENTIAL, JOB CREATION AND POPULATION INCREASE. THE DOWN SIDE IS THE COSTS FOR MAINTAINING FEEDER ROADS, PROVIDING NEW ACCESS ROADS AND UPGRADING EXISTING ROADS INCLUDING POTENTIAL REALIGNMENT IN CERTAIN AREAS.

WHILE WE CAN ONLY SPECULATE THE FUTURE COST OF ACCOMMODATING COUNTY OWNED BRIDGES AND ROADS, DOUBLING THE CURRENT COUNTY MILEAGE OF 10.4 FOR THE 1991 TAX YEAR WOULD PROVIDE REVENUE OF $35 MILLION FOR ALL SERVICES AND LESS THAN THE COST OF MAJOR REPAIRS ON THE EAST ROCHESTER/MONACA BRIDGE. I USE THIS EXAMPLE TO DEMONSTRATE THE FACT THAT COUNTY GOVERNMENT MUST HAVE INCREASED REVENUES FROM STATE AND FEDERAL GOVERNMENTS TO KEEP OUR ROADS AND BRIDGES SAFE AND ADEQUATE FOR OUR FUTURE. BY DOING SO, WE ALSO ACCOMMODATE THE NEEDS OF PUBLIC TRANSPORTATION.

IN A REPORT PREPARED BY TRIP,(THE ROAD INFORMATION PROGRAM), PUBLIC TRANSPORTATION TRAVELED 1.5 TRILLION MILES IN 1990. MEANWHILE, TRANSIT FUNDING DECLINED FROM $4.6 BILLION IN 1989 TO $3.0 IN 1990. IN THE SAME ARTICLE, "IN ALLEGHENY COUNTY NEARLY 90 MILLION RIDERS WERE TAKEN IN 1989 INCLUDING APPROXIMATELY 14 MILLION BY SENIOR CITIZENS - MANY OF WHOM RELY ON PUBLIC TRANSIT AS THEIR SOLE MEANS OF TRANSPORTATION". THE PARADOX OF THESE FIGURES IS THAT WE DO HAVE POTENTIAL FOR SOME CURTAILMENT OF PASSENGER VEHICLE TRAVEL, LOWER OVERALL FUEL IMPORTS AND LESS COST FOR ROAD AND BRIDGE MAINTENANCE BUT WE PENALIZE THE POTENTIAL BY LACK OF ADEQUATE FUNDING.

AS WE PROCEED INTO THE 1990'S AND FACE A NEW CENTURY, WE MUST ADDRESS CRITICAL NEEDS FOR YEARS TO COME. ONE AVENUE IS AN INCREASE IN FUEL TAX. WE PROBABLY HAVE THE LOWEST COST PER GALLON OF FUEL IN THE INDUSTRIAL WORLD WHILE MANY IF NOT ALL THESE COUNTIES HAVE TRANSPORTATION SYSTEMS THAT ANTIQUATE OURS. THERE IS NO QUESTION THAT INVESTMENT IN PUBLIC WORKS LEADS TO INVESTMENT IN ECONOMIC DEVELOPMENT AND PRODUCTIVITY. OUR FAILURE TO RESPOND TO SO VITAL AN INVESTMENT IS TO DENY A GLOBAL COMPETITIVE POSITION AND ECONOMIC PROGRESS.

AS YOU CAN SEE, I HAVE LIMITED MY PRESENTATION TO SOME DETAILS REGARDING ROADS AND BRIDGES. I DO NOT WANT TO LEAVE THE IMPRESSION THAT BEAVER COUNTY SHOULD CONCENTRATE XCLUSIVELY ON ACCOMMODATIONS FOR TRUCKS AND AUTOMOBILES. CLEARLY, RESOURCES MUST EXTEND TO MASS TRANSPORTATION FACILITIES, AND ONLY A BALANCED VIEW OF TRANSPORTATION NEEDS AND GOALS WILL PROVIDE INSIGHT TO THE SOLUTION.

THANK YOU FOR THIS OPPORTUNITY TO REPRESENT THE CITIZENS OF BEAVER COUNTY IN THIS VERY IMPORTANT MATTER.

JAMES ALBERT, CHAIRMAN
BEAVER COUNTY BOARD OF
COMMISSIONERS

Role of Appalachian Regional Commission in the Revitalization of the Homewood-Brushton Community

The funding of two of our key development projects by the Appalachian Regional Commission has made a tremendous impact and a major turnaround in the Homewood-Brushton community.

The Homewood-Brushton community located in the eastern part of Pittsburgh had undergone traumatic changes in the last 30 years. Population declined from about 30,000 in 1950 to about 11,000 in 1990. People with middle income, including African-Americans, left the community. Businesses also started to close down and leave to suburban locations. By 1980, the commercial corridor on Homewood Avenue was absolutely abandoned.

Under the auspices of a local community development corporation, Homewood-Brushton Revitalization and Development Corporation (HBRDC), a major effort was undertaken to mobilize the community and arrest the elements of decline and distress. The organization which was established in 1984 started to form public/private partnerships in order to rally the support needed to undertake the challenge of revitalization. HBRDC has a board of 27 people with 90% of them either living or conducting business within the community. This allows community control of all HBRDC development projects. Many community and civic organizations, religious leaders, grass root representatives, educators, and merchants play a major role in the decision making process of HBRDC.

The most difficult aspect of our revitalization efforts is the depressed real estate market and the resulting deep appraisal gap of developed properties. The appraisal gap is to the extent of 70% of total real estate development costs, both for commercial and housing projects. For example, an apartment complex which was developed at a cost of $580,000 was appraised at $140,000. A commercial building developed [illegible] a cost of $300,000 was appraised at $100,000. In essence, financial institutions would lend about 80% of the appraised value. The balance has to be raised by way of grants, deferred or soft loans. To this effect, we are constantly in search of foundation, federal, and state grants to fill the gap.

HBRDC's efforts are to serve the low income community. The housing programs are intended to provide affordable and decent housing to the low income working families earning $11,000 and below. Our rent is structured in such a way that the units become affordable to the working families. HBRDC also provides home ownership opportunities by rebuilding older homes and by constructing new houses. These homes are again intended to be affordable to the constituents of HBRDC living within the community. HBRDC is critical about the effects of displacement and gentrification development projects can bring to a community. HBRDC believes in the participatory role of the community residents. HBRDC holds regular community meetings in order to engage residents in the project planning and implementation of programs. Such meetings ensure that the projects are meet community needs.

HBRDC has a communication development agenda. It publishes a weekly newspaper with 20,000 circulation. The mission of the newspaper is to provide pertinent information, and to make the citizens aware of the various programs.
[illegible]

All the programs of HBRDC have created community pride, stability, jobs and income, business ownership, elimination of blight, and leadership.

The Appalachian Regional Commission provided a grant of $300,000 to our farmer's market project (total cost was $900,000), and $65,000 to our office incubator project (total cost was $390,000). Without these funds, these projects would have remained in the drawing board, or may never have been implemented. As the result of the implementation of these projects, we have paved the avenue to create about 28 businesses, and these businesses will eventually create up to 100 jobs. The ARC funding have also been the basic seed capital to leverage sizeable funds from a number of financial intermediaries.

HBRDC provides a one-stop center to potential entrepreneurs. The assistance of the Appalachian Regional Commission, and other sources of financial support ensure that the dreams of the local residents in entering the market place are realized.

In the 1991 cycle, we have approached Appalachian Regional Commission for a grant of $100,000 to develop a $1.8 million franchise mini-mall project. This fund will help provide technical assistance to some 12 franchises that will be established in the mall. These businesses are anticipated to be owned by African-Americans who probably have not been in business before.

HBRDC has been able to develop to acquire tax-delinquent properties, and convert them to generate tax revenues to the City. Many residents who were in public assistance have been able to support themselves through the new jobs created within their community.

MULUGETTA BIRRU

5437 Hobart Street
Pittsburgh,PA 15217
Tele (412) 421-3051

OBJECTIVE: BUSINESS DEVELOPMENT/STRATEGIC PLANNING EXECUTIVE/ INTERNATIONAL FINANCE

SUMMARY:

Seasoned and highly motivated with strong history of full management responsibility of manufacturing enterprises; proven results in identifying and packaging new manufacturing enterprises and development projects, expansions, and acquisitions; handling investment finance; real estate development and management consulting to broad category of industries. Thoroughly experienced in all aspects of running a complex business.

STRENGTHS:

Solid business development and strategic planning skills encompassing economic, market, financial, organizational and international aspects of feasibility studies, strong ability to lead and deal with professional teams, exposure to world-wide business, ability to work under challenging and difficult situations, and excellent writing skills.

BUSINESS EXPERIENCE:

1983 - Present HOMEWOOD-BRUSHTON REVITALIZATION & DEVELOPMENT CORPORATION (PITTSBURGH)

EXECUTIVE DIRECTOR

A Corporation funded by a public/private consortium including the Ford Foundationand to carry out commercial revitalization, real estate development, and economic development. Reporting to the Board of Directors responsibilities are to:

- Develop new housing
- Assist businesses in their expansion programs,encourage new business to relocate into the area
- Implement commercial real estate development projects
- Improve infrastructure and investment climate
- Publish a weekly newspaper with 40,000 circulation

1980 - 83 SEMINOLE ECONOMIC DEVELOPMENT CORPORATION (FLORIDA)

V.P. & DIRECTOR OF BUSINESS DEVELOPMENT

A Corporation with diversified portfolio engaged in manufacturing of transport systems, amphibious aircraft (last phase of R&D), providing full range of repair and maintenance services to the rail industry, developing real estate and industrial parks, and development finance. Reporting to the President, major responsibilities were:

- Identification of new investment proposals, preparation of feasibility studies, responsible for joint-venture negotiations, and arranging necessary financing to implement projects.
- Monitor achievement of subsidiary companies by comparing plans with results, analyze causes for deviations, and recommend corrective courses of action.
- Assist subsidiary companies in major problem areas like finance and marketing.
- Represent the Corporation in the Boards of subsidiary companies and negotiations on business acquisitions.
- Served as President of American Railway Services Corporation, subsidiary company, for two years in addition to my other responsibilities.

1978 - 80 NATIONAL CHEMICALS CORPORATION (ETHIOPIA)

GENERAL MANAGER & CHIEF EXECUTIVE OFFICER

A Corporation with ten subsidiaries and sales of upto $70 million engaged in the manufacturing of detergents, soaps, responsible for overall decision making and was exposed to production planning, financial control, and marketing. Major operational achievements included:

- Made international contacts, both bi-lateral and multi-lateral to enhance investments in big chemical projects.
- Centralized accounts, procurement, and sales in order to let subsidiaries concentrate on production resulting in substantial savings in manpower, and savings from bulk purchases.
- Managed to double production and sales by systematic removal of bottlenecks, increases in shifts, and modernization of production facilities.
- Conducted major sales efforts to promote products, including exports.

In addition to running the Corporation, further responsibilities were to diversify into other chemical products, and conduct R&D. Through my overall guidance, a new professional team, and bi-lateral and multi-lateral assistance the following projects were initiated:

- Mixing and packing of fertilizers imported in bulk, di-ammonium phosphate fertilizers, and a fertilizer complex.
- Soda ash from inland lakes, caustic soda from own salt, and chloro-alkali complex.
- Essential oils, and non-edible oils for soaps.
- Chemical products from by-products and wastes.

1975 - 78 **ETHIOPIAN BEVERAGES CORPORATION (ETHIOPIA)**

MANAGER OF PLANNING & BUSINESS DEVELOPMENT

A Corporation with 20 subsidiaries and sales of upto $200 million engaged in the production and distribution of all types of beverages and packing materials. Factories included 3 breweries, 3 Coca Cola bottling, 3 Pepsi Cola bottling, one glass and bottle making, one plastic crates factory, 3 distilleries, 2 mineral water bottling, one industrial gas, and 3 wineries. Reporting to the President, responsibilities were:

- Preparation of capital budgets, and short and long-term strategic planning.
- Conducting market and distribution studies.
- Indentification, analyses, and implementation of new businesses and expansions, and securing financing for all projects.

Over ten new investment proposals to double the production capacity were packaged and implemented, all of which were done under my direction. Among such achievements were:

- Setting-up of a 350,000 hl new brewery, major expansions of two breweries, and a maltery.
- Setting-up of 3 soft drinks factories, one plastic bottle plant for bottling mineral water for the export market.
- Setting-up of a distillery and bottling alcoholic beverages.
- Setting-up of a new plastic crate factory for all subsidiaries, and a major renovation of a glass and bottle factory.
- Revampings, and bottle-neck removals of most factories.
- A major expansion and renovation of a glass and bottle factory.

AGRICULTURAL & INDUSTRY DEVELOPMENT BANK (ETHIOPIA)

SENIOR PROJECT EVALUATION & RESEARCH OFFICER

An investment bank involved in international banking, medium and long-term financing, and equity financing in joint-venture investments. With portfolio in excess of $250 million, major responsibilities were:

- Contacting international investors and sources of international finance.
- Reviewing loan applications and presenting recommendations to loan committee.

TESTIMONY OF CATHY A. CAIRNS
Executive Director
The Aliquippa Alliance for Unity & Development Inc.
The Aliquippa Development Corporation Inc.

PRESENTED TO: THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
of the House of Representatives Committee
on Public Works and Transportation
Sub-Committee Chairman: Congressman Joseph Kolter
Committee Chairman: Congressman Robert Roe

DATE: July 3, 1991

Good morning. I am Cathy Cairns, Executive Director and Chief Operating Officer of two non-profit organizations - the Aliquippa Alliance for Unity & Development Inc. and the Aliquippa Development Corporation Inc. - working in the City of Aliquippa, Beaver County, to address the long-term poverty problems created by the collapse of the local steel economy while working to re-establish a local trained workforce and create jobs. The Aliquippa Alliance has been the only community-based organization, to my knowledge, to receive Appalachian Regional Commission funds in Beaver County within the past five years, and we appreciate the opportunity to discuss the impact these funds have had on our efforts, our experience in the system, and the need for additional funds to be directed toward improving the condition of the long-term poor.

The Aliquippa Alliance for Unity & Development Inc. was formed in 1984 as a local response to massive layoffs at the Aliquippa Works of LTV Steel, the city's largest employer, and the impact that huge loss of jobs has had on the City of Aliquippa. Since that time, we have developed many programs and activities in social service, business and community development, and education.

The Franklin Center, a social service outreach facility renovated through over 1,800 volunteer construction hours donated by unemployed steelworkers and low income retirees, serves an average of over 1,900 families each month. The carry-over of clients from month to month averages seven percent. In 1990-91, the Alliance's Dollar Energy Program, providing private dollars to match state and federal utility assistance programs for low income families, gave over $618,000 to area families. This compares to about $230,000.00 in 1989-90 and under $60,000.00 in 1986-87. The needs of local low income families in terms of simple survival are escalating at a rapid rate.

Alliance education programs, in-school and after-school, for mostly minority "at risk" youth, mini grants to teachers to spark innovation...a variety of programming with high impact has been put into operation.

In tandem with the social service components, a former bank building was converted into a small business incubator, serving a mostly low income clientele; facade, loan and other programs for central business district merchants have been initiated.

Despite the intensity of activity, the degree of committment shown by the community, and the impact of the programs, fewer than three (3) percent of funds raised to aid the effort over the past seven years have been federal. If there was ever a city and an organization which has proven its committment to rebuild from disaster at a grassroots level through sweat equity, with heavy volunteer and private funding committment, it is the City of Aliquippa. In point of fact, the only federal program support ever given to the Alliance has been through the Appalachian Regional Commission.

BACKGROUND on the City of Aliquippa:

The Aliquippa Works of LTV Steel, employing over 16,000 workers at its peak, was at one time the largest integrated steel plant in the United States. Sprawling 650 acres, the site is the only property within the boundaries of the City of Aliquippa capable of supporting industrial or heavy manufacturing developments, and is plagued with serious hazardous waste problems which may hamper re-use. Those operations currently active on the property employ fewer than 1,000, and the majority of residents of Aliquippa now employed work at the Greater Pittsburgh International Airport or Aliquippa Hospital.

The layoffs in the steel industry have translated to severe long-term poverty for the City of Aliquippa, and significant outmigration coupled with aging of the area's once talented and skilled workforce. In the past twenty years, the population of the City of Aliquippa has dropped from 25,000 to 13,750. Those with transferrable skills and post high school education between the ages of 25 and 40 have fled the city. The City of Aliquippa is, in essence, very young and much grayer than in the days of its steel-making renown.

Clearly, the city's opportunity to re-establish its strong workforce and reach for new employers lies in its ability to train and hold its youth. If the City of Aliquippa does not find a way to create more opportunity for its youth, and simultaneously attract new jobs to the area, the poverty will grow more severe daily and the future for recovery is bleak. This is a vicious circle which needs to be broken - without a trained workforce, new employers even with only minimum wage jobs are difficult if not impossible to attract - without immediately available jobs, it is difficult to keep those few trained in the area.

Still the largest city in Beaver County, there are few opportunities for employment for youth or adults in Aliquippa.

While Beaver County has been the only county in the Commonwealth of Pennsylvania to continue to lose jobs faster than they are created, Aliquippa is in more grave shape than the county-as-a-whole...it is the county's largest and most severe pocket of poverty. The poverty and its related problems make it very difficult for those who have never held a job or seen a family member leave in the morning to report for work, get or keep the motivation to carve out opportunity, or accept it once it is found.

The resources of the City of Aliquippa are not enough to stop the destruction started by the collapse of mill employment. Not only were jobs lost, but successful businesses are a rarity except for those areas adjacent to more affluent townships.

Of the 267 storefronts on Franklin Avenue active in retail operations in 1967, fewer than 30 are now open for business. The 150 storefronts still standing are mostly boarded-up, abandoned or decaying. Efforts at revitalization have been hampered by a lack of government resources, and a continuing state of benign neglect. Perceived as a high crime area and poverty area, the central business district has been considered a "secondary" area for development related to the Greater Pittsburgh International Airport by the county and the state, even though it is one of the few areas which has the infrastructure available to support development...and has the single largest idle workforce.

Over the past 10 years, earned income in Aliquippa has dropped significantly, with city-wide household average income dropping by over 53 percent. The majority of the population is retired, with the second highest population group now in elementary school. Few teens who go to college can afford to return...the jobs are simply unavailable. The county's unemployment rate is currently over 10 percent, but Aliquippa's poverty is more intense.

Door to door surveys conducted by the Alliance in five neighborhoods surrounding the central business district indicate that fewer than 14 percent of all households actually have full-time jobs.

In Aliquippa, minority head of household families average $15,000.00 less per year than their white counterparts, and suffer the most grave social problems and highest rates of unemployment. When the state stopped calculating the city's unemployment due to the drop in population, unemployment in the minority community was over 90 percent...and Aliquippa has the largest minority population in the county.

The racial mix of population among school-aged youth is now 60 percent minority; 40 percent white. An exact reversal from fewer than ten years ago.

Of all children enrolled in the Aliquippa School District, 85 percent are eligible for federal free lunch programs...and 85 percent are considered remedial learners by the time they are seniors in high school.

In Beaver County, births to unwed mothers has dramatically increased by 2000 percent in the past ten years. Many of these single parents are teenagers; many are children in single parent households. In Aliquippa, six percent of families surveyed in low income neighborhoods are four generation households..with the children of teen parents cared for by a single parent and a grandparent. Of households interviewed, over 67 percent of those with children age three and under were single parent households.

At this point in time, over 80 percent of all crime committed in Aliquippa can be tied directly to drug and alcohol abuse or trafficking. Crime has increased over the past ten years; the city's police force has dramatically decreased due to reduced tax revenues.

While Aliquippa's situation in the mid-1980's could have been termed a "crisis", or an "economic disaster", the problems facing the City of Aliquippa today are the problems of long-term severe poverty. If there were ever any doubt that the Aliquippa/ Beaver County area were part of the Appalachian Region, that doubt has been dispelled. We are facing severe long-term poverty, and all of its related problems.

PROGRESS: Despite the odds, the City of Aliquippa has made significant strides in addressing its disaster. City government has hired a full-time manager, and is out of "the red" for the first time in many years. Aliquippa Hospital, the city's largest local employer, is now financially stable. J & L Structural Steel, a company starting at the LTV site as LTV collapsed, has been nationally recognized for its excellence in product and management. And the Alliance has served to draw some training opportunities, new jobs, social services, and resources to the city. While these are significant rays of hope, Aliquippa needs the financial support of the federal government to mobilize resources capable of addressing the situation by more than a loose-fitting temporary bandaid.

EXPERIENCE WITH THE APPALACHIAN REGIONAL COMMISSION: The Alliance was granted Appalachian Regional Commission funds in support of a pilot demonstration project operated in tandem with East Liberty Development Inc., the Monesson Youth Enterprise Program and the Graduate School of Social Work of the University of Pittsburgh. The focus of the program were principally minority "at risk" youth between the ages of 16 and 18, all residents of the City of Aliquippa. The program during fall, winter and spring months included workshops and classes in enterprise development, career path counseling, and economics operated in the high school during study halls. During the summer months, this programming was expanded to include employment and remedial education through the addition of significant private funding. The results of the program were dramatic, with student skills increasing an average of five grade levels in reading and mathematics. Of the 28 youth who completed the initial enterprise demonstration program, 14 were male(one white, 13 black), 14 female (two white, 12 black); three was considered handicapped, two were pregnant; and functional illiteracy was evident in 50 percent of the youth when enrolled.

Of those surveyed after the initial project, 56.2 percent said they had discovered new skills or talents; 15 of 16 felt the training would help them in the future, even if they didn't start a business; and 62.5 percent felt the training had helped them in other activities. All 16 agreed that they knew what an entrepreneur is, and 56.25 percent felt hopeful about getting involved in a business in the future.

Over half of the youth involved in this demonstration project will attend college next fall, many on scholarships; every graduate of the program who was able to accept an after-school and summer job was employed following the project.

The point is this - without Appalachian Regional Commission funds, the future of these youth would be very different. The deterioration of the city's low income neighborhoods has had a dramatic effect on its youth. Opportunity is narrowly limited for young blacks in Aliquippa, and these programs often signal a change in direction which motivates them to productive lives.

Pieces of the demonstration project have remained and been privately funded through our on-going education programs, but the federal support permitting larger impact and continuity of offerings is unavailable. Our education programs are always "at risk" of collapse due to the instability of soft funding.

To see truly significant results, demonstrations need to be funded not just for a year, but two to three years. And the programs need to be able to access youth at an earlier age, dealing with them before "at risk" has turned to "high risk". While these demonstrations can be wonderful things...there should be ways found to support successful operations in communities of severe need, so that the impact can be more than a temporary,small scale assist. And there should be funds made available to replicate successful demonstration projects in other distressed areas, coupled with technical assistance provided by those who have demonstrated their ability to design and implement programs, so that those committed to keeping our youth from becoming a lost generation do not have to continually struggle re-inventing the wheel.

As I mentioned at the beginning of my statement, the Alliance has been the only community-based group in Beaver County, to my knowledge, to receive Appalachian Regional Commission funds. This in itself is appalling, as communities are struggling with the same problems through-out the area. And many, like Aliquippa, must look to their youth to see the shape and form of the future.

In our opinion, some of this lack of funding is due to the small size of the allocation available to Pennsylvania, some to local development district administration, and some to occasional confusion at the state level. The ARC grant received by the Alliance was actually a pass-through from the University of Pittsburgh, and represented less than one third of the expense of operating the program and continuing it for enough time to be a significance to the participants. If the Alliance had applied directly, we do not believe the application for our youth enterprise program would have been successful, regardless of the content of the submission. In the past four years, we have applied independently for ARC funds each year, without any success what-so-ever, and have been given inaccurate information on the changing scope of interest of the stream more often than not. More funds need to be available...but at the same time, access to those working directly in the community needs to be assured.

SUMMARY: The Aliquippa Alliance for Unity & Development Inc. is grateful for the support given to our "at risk" youth program by the Appalachain Regional Commission. The success of these programs clearly makes a difference in the lives of the poorest of the poor, and opens many new opportunities to "at risk" and minority youth in distressed communities in the region. The impact of these programs are limited only by access to the funding streams and the length and size of the federal government's financial committment. There are many capable groups in this region looking for the opportunity to keep our youth from becoming a generation lost to street corners, drugs, jail cells and death...they need your support to keep the youth of the region from becoming a truly lost generation.

We would like to see more funds spent to assist groups in Beaver County who are committed to changing the plight of low income youth, and we would like to see federal funds find there way to Aliquippa.

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BIOGRAPHICAL ATTACHMENT: Appalachian Regional Commission

Cathy A. Cairns
Executive Director
The Aliquippa Alliance for Unity & Development Inc.
The Aliquippa Development Corporation Inc.

Cathy A. Cairns is Executive Director and Chief Operating Officer of the Aliquippa Alliance for Unity & Development Inc. and its subsidiary the Aliquippa Development Corporation. Located in the City of Aliquippa, Beaver County, the two linked non-profits operate with separate governing bodies and shared staff.

Ms. Cairns was the original organizer of the Alliance, which was formed in 1984 as a community response to the collapse of the local steel economy, and has been Executive Director of the Aliquippa Development Corporation Inc. since its merger with the Alliance in 1988.

Ms. Cairns holds a Bachelor of Arts Degree in Communication from Edinboro State University, and studied social work, research and organizing at the Graduate School of Social Work of the University of Pittsburgh. She is a field instructor for graduate students of the University of Pittsburgh and Carnegie Mellon University, and has been extensively involved in a variety of university research projects focusing on poverty issues, welfare reform, and economic development. Prior to her employment with the Alliance, Ms. Cairns was employed as Executive Director of the Pittsburgh Neighborhood Alliance, Director of the Beaver County District Attorney Victim Witness Project, and as a reporter for the Pittsburgh Post Gazette.

Testimony of Honorable Gaston Caperton
Governor of West Virginia and States' Co-Chairman, ARC
Hearing of Sub-Committee on Economic Development
U.S. House of Representatives
Honorable Joe Kolter, Chairman
Beaver Falls, Pennsylvania
June 3, 1991

Chairman Kolter. Distinguished representatives. Ladies and gentlemen.

I want to thank you for this opportunity to appear before you to discuss the very considerable accomplishments of the Appalachian Regional Commission (ARC) and its extraordinary impact on this region, and to share with you my major concerns regarding the job which remains to be done by ARC.

Before I proceed further, however, I want to thank you, Mr. Chairman, on behalf of all 13 Appalachian Governors, for your leadership and continued support of the Appalachian Regional Commission. Mr. Chairman, by your leadership you have demonstrated that you are in the fine tradition of past sub-committee chairmen in your strong advocacy for this most unique and successful of programs.

Additionally, Mr. Chairman, I would like to share with you other concerns related to infrastructure and transportation.

When the Commission was formed in 1965, its purpose was to:

1. Assist the region in meeting its special problems;
2. Promote its economic development;
3. Establish a framework for joint federal and state efforts toward providing the basic facilities essential to its growth;
4. And attacking its common problems and meeting its common needs on a coordinated and concerted regional basis.

In 1965, Appalachia was on its economic knees. Consider:

1. In 1960, per capita income in Appalachia was only three-fourths of the national average.
2. Even by official count, unemployment in Appalachia was more than 40 percent above the national level.
3. Despite the region's need for outside help, per capita expenditures of federal funds there lagged well below the national average.

It was to address these conditions that the Appalachian Regional Commission came into being. And, with an annual average appropriation of approximately $250 million for a 13-state region, it did so with great effectiveness through its unique process which mandates a federal, state and local partnership.

Many of our programs have had a dramatic effect on the people of the region. The Appalachian Regional Commission has acted as a catalyst for the development of a network of 700 vocational education facilities and programs throughout the region. These facilities have enabled the region to better compete for current job opportunities and position itself to have a competitive work force in the year 2000. Through Fiscal Year 1990, ARC has provided West Virginia with over $32.2 million for this effort.

As a result of ARC assistance, rural and primary care clinics have been established and basic health care is now available to virtually all people in the region within 30 minutes from their homes.

Since 1988 the Commission and the International Business Machines Corporation (IBM), in a partnership serving four states, provided assistance to kindergarten and first grade children with provision of computers, software, and training for instruction in Write-to-Read Laboratories. The Write-to-Read Laboratories provide early and fundamental training in writing, reading, and computer literacy. ARC has provided approximately $450,000 in assistance, and IBM has provided over 500 computers.

1. In West Virginia 2,000 kindergarten and first grade students were served in a five-county area; 75 professional staff were trained.

2. A study completed by the Appalachia Educational Laboratory found that both kindergarten and first grade students who participated in the program had significantly higher writing and reading test scores than those students who did not participate in the program.

After seeing the positive result of technology in the classroom, my goal is to place computers in every kindergarten and first grade classroom in our state.

West Virginia's ARC investment goal has been to stimulate economic development by providing opportunities to increase per capita income and lower unemployment. The strategy is to overcome deficiencies in physical and human infrastructure by accelerating and focusing spending on these issues. The successful promotion of growth and development will be best achieved when environmental constraints are taken into consideration. Priorities are given to projects in high unemployment and economic distressed areas resulting from plant closings or slowdowns, infrastructure improvements for expansion and retention of jobs, and energy and conservation projects where jobs will be preserved or created. Sewer and water projects and access roads have been most important in recent years. West Virginia has made significant use of private funding as the source of local matching funds when applicants could not manage a contribution.

Recent examples of typically funded projects include:

1. The Benedum Airport Development Project--a $999,000 grant from ARC--was made to assist in the development of an air center. The total cost of improvements will be $3,650,700. Also, Economic Development Administration (EDA) funds in the amount of $1.4 million were used to support the construction of this project. The public improvements were essential in order that the West Virginia Air Center, Inc. and Short Brothers, Inc. facilities could be developed.

   The West Virginia Air Center facility will perform aircraft maintenance, modification, painting, and refurbishment on military and commercial aircraft. This project will provide for a number of positive benefits to the area.

   - The most direct impact was the creation of construction jobs and approximately 419 manufacturing jobs will be created.

- Equally important is the fact that these jobs will be high-wage, quality jobs.

- A second direct benefit is the anticipated $12.3 million in private investment that will result from this project.

2. The Weirton Water Improvement Project--a $500,000 grant from the ARC--will be used to reconstruct and enlarge the Lee Avenue Reservoir. A significant portion of the reservoir's capacity will be dedicated to the Weirton Steel Corporation as reserve fire protection and for production activities. The mill's increased ability to address high production levels will have a profound job retention effect on its 8,000 employees.

3. The Governor's Partnership For Progress Challenge Fund Program. State government can no longer afford to single-handedly resolve local issues. In an effort to assist West Virginia's communities in becoming more self-sufficient, the Governor's Office of Community and Industrial Development has created the Local Development Initiatives Division. The purpose of this newly created division is to promote and link grass roots economic development activity with resources to foster community growth.

The state will utilize ARC funds matched by state and local funds to finance the Governor's Partnership Program. The funds have been used for such areas as planning, financial analysis, market analysis and research, etc. This effort is being assisted by the 11 Regional Planning and Development Councils throughout the state. The Regional Planning and Development programs, established by ARC and EDA, have been especially helpful to our local governments in dealing with, applying for, and administering federal and state grant programs. In the Eastern Panhandle of West Virginia, we are working in cooperation with western Maryland on a Geographic Information System, that will enable both states to better plan future growth.

Through ARC assistance, water and sewer systems exist now in so many of our towns and cities.

West Virginia is blessed with beautiful scenery and many recreational opportunities such as snow skiing, white water rafting, hunting, and fishing, to name only a few. This past year the ARC, in conjunction with the 13 states, developed tourism strategies to market the region as a tourist destination with many opportunities to show the culture and beauty of the region.

1. We in West Virginia recognize the importance of the tourism industry to our economy.

2. According to a recent study completed by West Virginia University, in 1990 the tourism industry contributed approximately $2.4 billion to the West Virginia economy.

3. However, tourism alone cannot be the backbone of sustained economic growth in our region.

But, by far, the most dramatic effect on the region has been related to transportation, specifically, the Appalachian Corridor Highway System. By the end of Fiscal Year 1990, 2,126 miles of the 3,025 miles authorized by Congress was contracted for construction.

The corridors play a substantial role in improving the delivery of social services: new highways provided access not only to jobs, but also to hospitals, schools, housing, and tourist attractions.

Through Fiscal Year 1991 in West Virginia alone, more than $747 million of ARC highway funds have been utilized to construct the corridor system. Of the total 425 miles scheduled, 280 miles or 66 percent have been completed. Yet, it is estimated that approximately $1.3 billion total funding is needed to complete the balance of the corridor system in West Virginia.

But, unfortunately, all is still not well in Appalachia, nor in much of rural America.

The 1980's were a difficult period for the Appalachian Region. The disproportionately severe distress of the recession early in the decade was followed by slow and uneven recovery.

As the 1980's came to an end and before the impact of the current recession, the poorer-performing counties of the region tended to be concentrated in two groups: some of the traditionally undiversified and coal-dependent areas of mainly central Appalachia and the declining manufacturing belt along the Ohio River. Better-performing counties were concentrated in some of the northern and southern areas of the region.

Though less true than in the past, the Appalachian Region continues to be more rural and to find more of its employment concentrated in mining and manufacturing industries than the nation as a whole.

Mr. Chairman, we have made considerable progress, but much of our region still lags behind in unemployment rates, per capita income, poverty rates, and population growth.

Additional assistance for our Area Development Program would greatly enhance our ability to respond to the challenges we face in infrastructure and business development:

1. In affordable housing for low-and-moderate income families.

2. In providing basic services, in addressing environmental problems, in improving work force literacy and job training, in reducing infant mortality, and in enhancing the availability of adequate health care. It would help us address the congressional mandate to bring parity of economic opportunity to our region.

Of equal importance to West Virginia and the region is the completion of the Corridor Highway System. In West Virginia, completion of Corridors D, G, and H areas are vital to expansion and diversification to the Mid-Ohio Valley, southern coal field, and Potomac Highlands.

The 1980's was a time when the federal government passed on significant responsibilities to the states with limited assistance. The states are now bearing a greater cost for caring for the environment, providing health care for the poor, as well as educating our children. Many of our states suffer economically because of inadequate infrastructure.

When you consider growing international competition, the lack of adequate resources to address the issues that confront our states along with the increasing mandates that the federal government has placed on us, we must ask ourselves how much more can the states bear.

Mr. Chairman, I am concerned about the impact of the proposed Surface Transportation Assistance Act of 1991 and what effects it will have on rural states like West Virginia.

1. In West Virginia, the current illustrative system does not adequately reflect highways of national significance--roads related to coal production and delivery to markets should be considered.

2. It would appear changes in the allocation formula will negatively impact our state.

3. The proposed federal/state matching ratio would require the state to share a higher cost burden, something that we simply cannot afford.

Mr. Chairman, we are grateful for the assistance that the Economic Development Administration has provided to West Virginia. Last year alone the state received $5.5 million in EDA funds, which leveraged a multiple amount of local and private investments. We believe programs such as EDA are instrumental in assisting and in creating long-term permanent jobs.

We believe that circumstances surrounding the creation of ARC still exists. In the past 25 years, we have made great efforts to reduce poverty, diversify our economy, and improve the quality of life in Appalachia. There is still much to be done. We cannot complete this task alone. We need your help in terms of financial assistance for programs such as ARC, EDA, and a transportation program that will assist in the development of our region.

The governors of the 13 Appalachian states are deeply appreciative of your continuing, strong leadership on behalf of the region. Your leadership has made a difference--a substantial difference--in the quality of life and the economic strength of the region which will endure well beyond our lifetimes. Thank you very much.

The Economic Benefits Of High Speed Rail For Pennsylvania

Statement Before
The Subcommittee On Economic Development
Of The
Public Works and Transportation Committee
U.S. House of Representatives

By

Robert J. Casey
Executive Director
High Speed Rail Association

June 3, 1991
Beaver Falls, Pennsylvania

Mr. Chairman and members of this distinguished subcommittee, I am honored to have the privilege of submitting this statement to you today.

The High Speed Rail Association, founded only eight years ago, is probably the fastest growing association in America today. Membership increased 50 percent during the past 12 months.

The reason for this is that America's consciousness has now turned to the subject of high-speed rail, a new mode of transportation and a new industry.

Our membership reflects a typical cross-section of America, giant corporations, giant unions, small companies, consultants, universities, and individuals from all walks of life who believe that this new transportation mode is needed in America.

Two of our members, Dr. Gordon Danby and Dr. James Powell of Brookhaven National Laboratory, are the inventors of a magnetic levitation system. (Incidentally, they received the association's highest award at our recent convention in California).

Before I turn to the main topic of this hearing, permit me to explain what high-speed rail is. (Incidentally, the association uses the term for both magnetic levitation and steel-wheel systems, such as the French TGV, which last Thursday, May 29, was awarded the franchise to build the Texas high speed rail system).

The High-Speed Rail System Concept

The high-speed rail operating concept envisions a complete service to the traveler: Ample parking, access to public transportation, checked baggage, seat reservations, snack and beverage service, hourly departures. Depending on technology, the cross-state trip time could take from about two hours to 3 hours 43 minutes, with improved ride quality, compared with seven hours today. Passenger-train-only trackage enhances safety, speed and on-time reliability. As in France and Japan, this approach eliminates dangerous highway grade crossings, and eliminates dispatching interference with slow freight trains and start-and-stop commuter trains. This makes track maintenance easier and provides a safety margin by reducing the chance for collisions or derailments. It also allows steeper grades, reducing the need for costly tunnel excavation. Indeed, the Transrapid International proposal has no tunnels at all.

Steel-Wheel-on-Steel-Rail Technology

The French TGV (tres grande vitesse, or very great speed) fleet is the world leader in existing commercial technology. Since 1983, 87 electrified trains have operated between Paris and Lyons at 168 mph. The system yields a 17 percent return on equity after debt service. A fleet of second-generation TGV's will run at 186.4 mph on a new route from Paris to the west of France and north to Brussels and the English Channel Tunnel.

Under construction is a fleet of similar German ICE (Inter-City Express) trains. A prototype has been tested at 252 mph and the German railroad has placed an order for production (41 trainsets of two locomotives and 11 cars) to service new high-speed routes at 155 mph.

The Japanese Shinkansen, or Bullet Train, is the world's first true high-speed rail system having gone into operation on October 1, 1964, at a commercial speed of 130 mph; some routes now operate at 150 mph. The fleet has carried almost 3 billion passengers without a single fatality or injury.

Other high-speed electric train types planned for 140 mph operation or more are two Italian designs (ETR 450 and ETR 500) and the British "Electra". Trains operating or planned to operate at 125 mph include the British diesel Inter-City 125, the Spanish Talgo, a pendular "passive" tilting-coach system; Amtrak's AEM-7 locomotive-hauled Metroliner in the Northeast Corridor; and the Swedish X2, an "active" tilting-body train.

Banking Mechanisms

Several of these systems use tilting-body coaches, in which the cars are mechanically banked through curves, reducing the discomforting effect of centrifugal force on passengers. Thus, roughly one-third higher speeds can be maintained through curves without costly track realignment. Reliability has been erratic for "active" banking systems, in which motors tilt the car bodies. The Spanish Talgo system uses gravity to achieve a "passive" tilting effect, which has been in use in Spain and on international routes for nearly 20 years.

Magnetic Levitation Technology

This technology uses no wheels or rails, but a concrete or steel guideway, above which the vehicle is magnetically suspended and centered, and along which it is propelled by a wave of magnetic energy. With no wheel-to-rail contact, the "maglev" vehicle actually flies along the guideway, so there is potential for greater speeds - 250 to 300 mph. No maglevs are operating in revenue service, but tests in Germany and Japan have yielded performances at more than 300 mph. And the implementation of a first maglev line in Germany has been recommended to the Government by the Parliament (alternatively Hamburg-Hannover or Essen-Bonn).

At the 20-mile Transrapid International test track at Emsland, Germany, a two-car TR-06 vehicle has tested at 258 mph. This system uses a T-shaped guideway around which a part of the vehicle wraps, eliminating the possibility of derailment. Electromagnets energized in the lower portion of the wraparound segment give the train its levitation by pulling up toward the longstator mounted on the underside of the guideway. Additional magnets provide lateral guidance, or centering. A longstator electric motor with windings mounted on both sides of the guideway, reacts with electromagnets mounted beneath the main body of the vehicle. The rapid changing of polarities induces a pushing and pulling force, creating propulsion. Japanese Railway has tested the MLU-001 magnetic vehicle at 250 mph on a 4.2-mile track at Miyazaki, Japan. (An unmanned vehicle achieved 321 mph in 1979). This system uses a U-shaped guideway; the vehicle is lifted from the bottom of the guideway and repelled from its sides by the use of electromagnets. Forward motion is generated in the same manner as with the attractive system. Other vehicles, such as the Japan Air Lines HSST-03, have operated reliably in low-speed shuttle service, and have been tested at 191 mph.

Applicability to Pennsylvania

Most of the technologies listed are suitable for use in the Philadelphia-Harrisburg-Pittsburgh corridor. All maglev systems would require construction of a new guideway for the entire length of the route.

OPTIONS FOR PENNSYLVANIA

From technical, financial and operating standpoints, three types of systems were studied as candidates for implementation in Pennsylvania. Based on the consultants' work in Phase 1 and Phase 2 of the feasibility study, the commission voted to pursue the most technologically advanced systems -- a 250 mph maglev system and a 180 mph high-performance steel-wheel system similar to the French TGV or German ICE.

Option 1: Maglev Service

The commission's initial maglev investigation produced a cost estimate of $10 billion for a double-guideway system. At a top speed of 250 mph, this system would have allowed cross-state trip times of about two hours. It would attract the most passengers and create the greatest economic impact. The high cost estimate and difficulty of financing almost immediately ruled out this approach, even though maglev proponents claimed that the engineers' estimates were far too conservative (high), and that realistic costs based upon actual construction experience should be far lower. Methods of economizing on the initial capital cost estimates were unable to be pursued due to the abrupt termination of funding.

As a result, the German maglev consortium Transrapid International proposed an incremental, staged plan, starting with partial maglev service and expanding its scope after gaining operating experience and achieving a financial performance level. Because of funding limitations, the commission's consultants were unable to provide an independent assessment of this proposal. The Transrapid proposal would implement a $3 billion, 250 mph maglev system between Harrisburg and Pittsburgh, with initial upgrading of steel-wheel service between Philadelphia and Harrisburg. This plan contains a single-guideway track with two 25-mile passing double tracks and no tunnels. Transrapid officials further have stated that they would assist in securing offshore public and/or private financing to build such a system in Pennsylvania. Running time for the Harrisburg-Pittsburgh maglev section would be 1 hour 29 minutes, making five stops.

The commission's consultants estimates costs, revenues, performance standards and ridership based on full use of each technology from Philadelphia to Pittsburgh. However, both the commission's engineering consultants and engineers representing maglev and high-speed steel-wheel systems have suggested a staged approach, blending travel on old and new while new construction is completed. This approach offers an immediate improvement to existing service, over what is now the slowest segment, while containing a state-of-the-art component as well. A disadvantage is that it requires passengers to make a cross-platform transfer at Harrisburg until the entire cross-state system is built.

Cost of the incremental system would begin with the Transrapid estimate of $3 billion, plus the cost of upgrading steel-wheel service between Philadelphia and Harrisburg, which must be investigated.

Option 2: High-Speed Steel-Wheel Service

This service proposal resembles the French TGV operation, with trains running at 160-185 mph and taking about 2 hours 41 minutes to make the cross-state run. The commission consultant's initial work produced a capital cost estimate of $7 billion. This initial Phase 1 steel-wheel cost estimate has been called unrealistic in that it was based on alignment assumptions that used moderate grade-climbing ability and involved extensive tunnelling. It has been criticized as conservative (too high) by suppliers, who have a first-hand acquaintance with actual costs of construction. In addition, the estimate has been called extremely conservative - perhaps 25 or 30 percent higher than it need be - by the commission's oversight consultants, who suggest that the capital cost ought to be closer to $5 billion. The TGV Company has offered to provide train-performance data, as well as assistance on costs and revenues, and sources of financing.

Representatives of the French rolling-stock manufacturers stated that they are prepared to make a proposal for such service, and stand ready to assist in procuring financing much in the same manner as the German consortium.

Option 3: Moderate-Speed Steel-Wheel Service

A modest high-speed rail steel-wheel-on-steel-rail electrified system could be built for $2.55 billion. Operating at 125 mph with 150 mph running on some stretches, this system could cut the seven-hour Philadelphia-Pittsburgh travel time to 3 hours 43 minutes. A low-cost alignment design would provide passenger-dedicated track in the existing Amtrak-Conrail corridor with only 50 miles of realignment into new right-of-way. This plan would create a 340-mile route that would enjoy the advantage of a lower capital cost and much shorter design and construction period. Cash inflow, as a result, would begin in a much shorter time. While not as dramatic as the first two options, this concept would roughly halve the current Philadelphia-Pittsburgh rail travel time of seven hours.

The commission did not have the opportunity to have its engineering consultants thoroughly examine this proposal. The option poses safety concerns, especially with so much of its track location adjacent to existing freight tracks. For a relatively modest cost, it would produce immediate improvements, while allowing for higher performance standards by future straightening of alignment. This approach is not unlike that taken in improving the Pennsylvania Turnpike. However, this option lacks the economic-development potential of the faster systems. Another long-term advantage is that the operating margin would exceed the debt service requirement in the year 2006, the estimated 13th year of operation. Cumulative positive cash flow after debt service would be $14 billion by the year 2027, when the bonds would be retired.

ECONOMIC DEVELOPMENT

High-speed rail would be a catalyst for economic growth - growth that would help the state overcome years of declining investments, jobs, and population; and growth that would help reduce unemployment to a more desirable level, and provide substantial tax income for the Commonwealth.

Construction Benefits

At least two-thirds of the expenditures for construction can be gained by Pennsylvania firms. Direct expenditures would stimulate further economic activity through the multiplier effect. For a $2.55 billion steel-wheel system (Option 3), the result is a $6 billion increase in total expenditures during the six-year construction period. For the high-speed steel-wheel system, Option 2, the $7 billion capital expenditure brings an estimated $16 billion in total construction. The maglev system, Option 1, produces $22 billion in construction-period benefits in return for the $10 billion capital cost estimate.

New expenditures mean new construction jobs - as many as 25,000 annually for maglev, or Option 1; 22,000 annually for Option 2; and 13,000 annually for Option 3. This will raise personal income by at least $1.39 billion during construction or $5.34 billion total over the operating life, for the most modest system. Advanced technologies produce $8 billion in personal income (Option 2), or $9.4 billion for Option 1. State government revenues would increase by $492 million (Option 3) to $755 million (Option 2) to $882 million (Option 1) over the construction and operating life of the system. These revenues would be derived through increased income, sales and other tax receipts.

Because of the role railroading has played in the state's economy, Pennsylvania already has dozens of railroad-supply firms that manufacture everything from track spikes to locomotives. Roadbuilding contractors could benefit from contracts for right-of-way grading and bridge and tunnel construction.

Operations Benefits

It would cost $98 million annually to operate and maintain a system under the least advanced approach, Option 3. The cost is estimated by be $105 million for Option 2 and $104 million for Option 1, maglev. Some 85 percent of these expenditures would benefit Pennsylvania firms and labor. The result, accounting for the multiplier effect, would be some $460 million annually, under the best case, in new expenditures after operations begin.

These expenditures translate into:

- A total, in direct and indirect employment, of 7,600 to 12,500 jobs.
- Annual personal income of $160 million to $205 million.
- State tax revenues of $15 million to $19 million annually.

Downtown Development

High-speed rail can revitalize downtown areas by stimulating the development of real estate near stations. Construction of retail, hotel, restaurant and office buildings will accompany the introduction of modern, efficient transportation in the downtowns of cities served. This phenomenon already can be observed in Lyons, France, adjacent to the high-speed TGV station there, and is a major component of the Florida high-speed rail system proposal. Harnessing the rising value of real estate is one way to help pay for high-speed rail capital costs.

Structural Benefits

High-speed rail can enhance the ability of a state or region to compete with others for new investment and economic activity. Feasibility studies leading to implementation in other states are taking this into account: Florida (Miami-Orlando-Tampa), Ohio (Cleveland-Columbus-Cincinnati), Texas (Dallas-Houston), Nevada/California (Las Vegas-Los Angeles) and Michigan, Indiana and Illinois (Chicago-Detroit). Regardless of where the first system in America is built, high-speed rail will be a multi-billion-dollar industry. The states that are first to create such a system will be in the best position to export their goods, services and expertise to others.

Travel and Tourism

In France, it is estimated that 20 percent of the travel on the TGV is induced travel, or travel that would not occur were it not for high-speed rail. Such a system could improve access to the recreational areas of Central Pennsylvania, Pittsburgh's sporting events, and the historic sites of Philadelphia. Further, it would foster trade, communication and cultural links between Philadelphia, with its Northeast Corridor orientation and financial centers, and Pittsburgh, with its status as one of the largest corporate-headquarters centers in America.

Pennsylvania's Image

Another area is the promotion of Pennsylvania's image as a desirable place in which to do business. This is the most elusive economic benefit to measure, but it is generally recognized that attitude has a great deal to do with industrial development decisions.

An investment in high-speed rail that is soundly financed and well-operated can demonstrate that a state can do something progressive, positive, imaginative and on a large scale to support its economy. This would make a great difference to businesses trying to decide whether to locate in Pennsylvania.

Accessibility

Historically, transportation is at the core of economic development, as can be seen in our highway system, ports and airports, along rapid transit lines and along rail freight corridors. High-speed rail also has the potential to be this kind of economic development catalyst.

Other Benefits

Other benefits associated with high-speed service:

- Lower unemployment and reduced associated costs of public support of jobless workers.

- Opportunities for young skilled workers to remain in Pennsylvania rather than having to move elsewhere to find employment.

- More productive use of time. High-speed rail avoids much of the wasted time associated with traveling to outlying airports, and canceled or delayed flights caused by weather or equipment problems. Most seasoned travelers have learned to allow extra time to account for such delays.

- Improved safety, compared to highway, air and conventional rail travel. The Japanese Bullet Train fleet has operated for 25 years and carried 3 billion passengers, all **without a single fatality**. Well-planned and precisely operated systems running over "dedicated" (to one kind of traffic - high-speed passenger rail) rights-of-way offer the safest transportation known to mankind. The French TGV system, in full operation since 1983, has demonstrated a similar perfect record of safety.

MARKET DEMAND

An extensive ridership survey conducted in May and June of 1985 indicated that by the year 2000, high-speed rail could attract 5.5 million to 8.8 million passengers a year. The analysis surveyed existing travel patterns in the Philadelphia-Pittsburgh corridor and established a formula for ridership projection. The 5.5-million-passenger estimate represents the least-optimistic projection for 180 mph steel-wheel service and the 8.8-million-traveler figure represents 250 mph maglev service under favorable economic and population conditions. To avoid over-optimistic projections, the survey was conducted according to recommendations of the High Speed Rail Association's Standard Guidelines for Revenue and Ridership Forecasting.

One of the key findings of the study was that most travel in Pennsylvania takes place at an elapsed time of two hours or less. The significance of this is that bringing the eastern and western reaches of the state to within roughly two hours of each other will greatly stimulate the volume of intercity travel.

Frequent business travelers, including some commuters, would constitute the largest subgroup of travelers - about 9,500 to 10,500 trips per weekday, or 57 percent of a total weekday ridership of 16,600 to 18,700 passengers. Occasional business travelers would add another 4,600 to 5,500 passengers each weekday, for 28 percent. Tourists would account for 1,500 to 1,600 riders a weekday, or 9 percent. School trips represent about 500 trips a day.

Fares were assumed to range from 16 to 28 cents a mile, with the average being 22 cents a mile. Higher fares would be charged for business travel that is less price-sensitive than other market segments, lower fares for off-peak and incentive travel.

In May and June of 1985, 25,538 questionnaires were handed out to passengers aboard Amtrak trains, to Turnpike motorists and to airline passengers. Of those, 8,853 forms were returned in person or by postpaid mail, for a 34.6

percent response rate. Questionnaires were intended to find out who is traveling in the corridor, how often, why and by what means; what time of day they travel; how long it took to make the total trip; origin and destination; and who is paying for the travel. In August 1985, commission consultants conducted a series of subjective market research surveys in Philadelphia, Harrisburg, and Pittsburgh, using 215 randomly recruited volunteers. They were tested in a focus-group setting to determine the criteria they use in choosing how they travel, specifically, how much weight they placed on such important but difficult-to-quantify aspects as comfort, convenience, amenities, reliability, security and perceived safety.

The most important factors, the survey found, were schedule reliability, cost, frequency and average speed or travel time. The most important characteristics for frequent business travelers were cost, reliability and frequency. Weather vulnerability also played an important role. Those who travel for other trip purposes (tourist, school, "other") judged trip time, cost, reliability and frequency to be the most important factors.

The four-year, $4 million Pennsylvania high speed rail study was halted by the administration of Gov. Robert Patrick Casey just before it was completed. The Commission obtained a $44,000 grant from the Federal Railroad Administration for publication of a Final Report. The Report was prepared by several ex-commissioners and ex-staff members. At first, the governor's people refused to accept the grant and refused to publish the Report. After considerable urging by the public, the grant was accepted and the Report was published two years after the study was terminated (only 700 copies were printed). However, the Report was in "words only" without benefit of maps, charts, graphs and photos. This was because a representative of the governor refused to allocate any of the Federal grant to provide illustrations.

I was executive director of the Pennsylvania Intercity High Speed Rail Passenger Commission. Frankly, I cannot understand why the study was halted just before it was completed.

But, I do know that our consultants, Parsons Brinckerhoff, Gannett Fleming, Ernst and Young and 11 others were first class in every respect, and the economic benefits study they developed - from which I drew this testimony - will stand-up to the test of time.

And such benefits are not peculiar to Pennsylvania. The new Texas system will yield $2.30 for every $1.00 spent. Every $1 million spent will create 36 permanent jobs.

So, if economic development and jobs creation are valuable goals, I urge this subcommittee to act in support of legislation that will help our state and the private sector to build high speed rail systems in America. Such systems will save lives, they will make money, and they will save time.

Our association urges a Federal action plan to assist in the development of high-speed train systems and technologies as consisting of the following steps, as already discussed:

1. Fund transportation on a more equitable basis by changing practices involving the highway and aviation trust funds and the manner in which revenue bonds could be used by developers of high-speed train systems.

2. In consideration of aviation and highway congestion, start building high-speed train systems now.

3. Amend federal law to permit high-speed trains to use highway rights-of-way on favorable terms.

4. Eliminate useless Interstate Commerce Commission regulation that adds unnecessary costs and impediments to high-speed system planners.

5. Conduct research on high-speed ground transportation systems to insure a brighter technological future for American industry and labor.

6. Modernize key Amtrak lines and give Amtrak a stable funding source.

NEED FOR HIGH SPEED TRAINS

High Speed trains are needed to alleviate highway gridlock, airport "winglock," environmental damage by petroleum-based transportation systems and safety problems of air and highway modes (not one passenger has ever been killed or injured on a high-speed train in 27 years of HSR service in Japan and Europe).

A report by the American Association of State Highway and Transportation Officials said that U.S. urban freeway delay could increase more than 400 percent by the year 2005. While commuters are a big part of the traffic, often overlooked is that tens of thousands of intercity auto travelers are caught in that traffic, too, every day.

In Florida, state officials are concerned with the fast-growing traffic between Miami and Fort Lauderdale. They say that if nothing is done, 44 lanes would have to be in place after the turn of the century to handle the crush on the highways. A highway of that magnitude is impossible to build considering the area's land-use patterns, air quality concerns and wetlands conservation needs. Further, a highway of that magnitude would represent an unaffordable, indeed crushing, fiscal burden to the state. Florida officials say high-speed rail is not a "nice-to-have" item but is essential to insure future mobility in their fast-growing state.

Some of the high-speed rail systems cost anywhere from $500 million to nearly $7 billion to finance through the construction and initial operational stages. Those are considerable sums of money. Yet, often overlooked, is that we're already spending that kind of money today for transportation.

The outer spectrum of costs is found in Boston's Central Artery project, the largest remaining section of the Interstate highway system to be built. It is 7.5 miles long, which includes 3.7 miles of tunnel and 2.3 miles of bridges. By the time the contractors are finished pouring concrete in 1998, the roadway will cost $4.4 billion.

This brings up an interesting point. Much of that is Federal matching money. If the funding rules were equal, and if Boston's residents were to vote on highway projects as they do transit bond issues -- and tax themselves for the road -- how many would agree to pay more than $586 million per mile for the new highway? That $4.4 billion could build the world's most technologically advanced, most sophisticated, fastest, smoothest high-speed train line all the way from Boston to New York.

I wish to conclude by reminding the subcommittee of a question that was asked by Senate Majority Leader George Mitchell as the Persian Gulf War was ending. He asked, "If we can build a high-speed Patriot missile, can't we build a high-speed train?"

Yes, we can.

Mr. Chairman, I want to thank you for this opportunity to appear before you today. I would be pleased to answer any questions you may have.

SPEEDLINES

VOLUME 8 THE HIGH SPEED RAIL ASSOCIATION JUNE 1991

ICE Train Inaugurated On Hamburg - Frankfurt - Munich Route

Deutsche Bundesbahn's Inter City Express (the ICE train) made its historic first run June 2, climaxing several decades of work to develop the new high speed rail system.

Hundreds of officials, reporters, photographers and railroad leaders from several countries were on board the sleek, white, ultra-modern train for the inaugural run, which was from Hamburg's Altona Station to Munich on what has been designated as Line 6. Among them was Federal Railroad Administrator Gilbert Carmichael.

German rail officials assigned 25 new ICE trainsets for the first stage of a $2 billion high speed service. The trains, which will reach speeds of up to 165 miles per hour, will cut railway travel time by as much as 30 percent immediately and 50 percent within the next few years, officials say.

"It will make more sense to travel by train than by plane," said Hartmut Lemke, president of German Rail in the United States.

"By the time you commute to the airport and go through check-in procedures -- an hour and a half flight becomes a four- or five-hour trip door to door."

(Continued on Page 8)

TEXAS' SECOND GREATEST

"The high speed rail network will affect Texas more than anything in our history short of our Independence (from Mexico)".

– Former Gov. John Connally
Member, Texas High Speed
Rail Authority

Texas High Speed Rail Franchise Goes To TGV Team

It was a long day in Austin May 28, but when it ended the Texas High Speed Rail Authority had granted a 50-year franchise to the Texas TGV Consortium, led by Morrison-Knudsen Corporation.

Texas TGV presented a $250,000 check to the Authority in acceptance of the franchise award to build a high speed TGV system in the "Texas Triangle" serving the cities of San Antonio, Austin, Dallas, Fort Worth, and Houston (with additional services to be examined to Waco and Bryan/College Station).

The first leg of the 200 mph (320 km/h) service, between Houston, Dallas and Fort Worth, is projected to start operations in 1998.

Leaders of Texas TGV include former Texas Lt. Gov. Ben Barnes and William J. Agee, CEO of Morrison-Knudsen Corp. Robert Ryan, with Morrison-Knudsen, is project director. Ace Pickens, with the law firm of Brown Maroney & Oaks Hartline, represented Texas TGV in the administrative proceedings leading to the franchise award decision.

Alluding to the Authority's comprehensive hearings, Authority Chairman Charles J. Wyly, a Dallas business executive, said "I've sat here for three weeks and I have heard nothing that makes me feel it would not be of great benefit to the people of Texas. It is inconceivable to me that it is not in the public's interest."

High speed rail offers a "convenient, fast, comfortable and energy-efficient" alternative to airplanes and automobiles, he said.

"What we're talking about here is how to avoid major congestion problems in Texas in the years to come," he said. "The excitement is in the new jet-age technology that they are proposing to put on the ground."

Carmichael Named Honorary Member Of HSR Association

Federal Railroad Administrator Gilbert Carmichael has been elected an honorary member of the High Speed Rail Association -- the second person to be so honored in the HSRA's eight year history.

Unanimously elected by the HSRA's board of directors, Mr. Carmichael joins Minnesota Commissioner of Transportation John H. Riley in the unique designation. Riley was elected six years ago, when he was federal railroad administrator.

When Riley left the FRA top post, it was widely-believed that no successor could be as enthusiastic in support of high speed trains as he was. However Carmichael has proven that idea to be wrong.

With his unique Southern-gentleman manner, he has become America's number one high speed rail "evangelist."

A native of Meridian, Mississippi, he at one time was a candidate for governor of his state. He is a personal friend of President George Bush.

TWO HONORARY MEMBERS of the High Speed Rail Association, with Representative Rick Geist, former association chairman (left), new honorary member Gil Carmichael (center) and John Riley, who was the first to receive the honor.

Soviet RR Becomes 900th Member

The Ministry of Railways of the Union of Soviet Socialists Republics is the 900th member of the High Speed Rail Association.

G.M. Fadeev, first vice minister of Railways for the Ministry, was welcomed to membership by Association Chairman Robert K. Pattison during the Annual Dinner of the HSRA May 7, held during the Eighth International Convention on High Speed Rail.

Minister Fadeev was accompanied by Professor E.A. Sotnikov, deputy director of the Soviet Railway Research Institute, and Boris E. Lukov, senior expert, international relations, Ministry of Railways. The three also attended the Association's San Antonio convention in 1990.

SOVIET DELEGATES to the Eighth International Convention on High Speed Rail Boris E. Lukov (left) and Minister G.M. Fadeev (center) were welcomed as representatives of the 900th member by HSRA Chairman Bob Pattison.

TUNNEL COMPLETED

British and French workers on May 22 finished drilling the first main rail tunnel that will provide high speed train service under the English Channel. The most dramatic linkup came last fall, when workers connected the small maintenance tunnel serving the two main rail tunnels.

BETTS HEADS OHIO AUTHORITY

Attorney James E. Betts of Cleveland has been appointed chairman of the Ohio High Speed Rail Authority by Governor George V. Voinovich. Betts succeeds Ohio Senator Robert J. Boggs, long time advocate for high speed rail in Ohio. Boggs was recently elected minority leader of the Ohio Senate.

'Sparky' Award Goes To Scientists Gordon Danby, Jim Powell

Bill Dickhart, Don Roth Receive Citations

Dr. Gordon T. Danby, senior physicist, and Dr. James R. Powell, nuclear scientist, Brookhaven National Laboratory, in May became the first team ever to be given the Association's award for outstanding achievement.

They are the inventors of a magnetic levitation system. The system, based on superconductivity, is being successfully developed and implemented in Japan.

Called the "Sparky" in honor of the late Illinois Representative Benedict I. Garmisa, the award was presented to the Powell-Danby Team by HSRA Chairman Emeritus Rick Geist, who was the first person to receive the award (in 1984).

Dr. Danby is a pioneer in the development of high field magnets using superconductors and pure metals operating at cryogenic temperatures. This work, which is ongoing, has been applied to advanced accelerator and storage ring designs, particle beams and large experimental detectors. He is involved in the design and construction of a very high intensity particle accelerator.

Dr. Powell has worked extensively in the area of cryogenic and superconducting power transmission. Since 1971, he has been principally involved in fusion reactor technology, superconducting magnets, synthetic fuel production and environment and safety.

HSRA Chairman Bob Pattison presented the Chairman's Award to Orange Country, California, Supervisor Don Roth, for his service as chairman of the Eighth International Convention on High Speed Rail and to William W. Dickhart, III, "for his long and faithful service to the High Speed Rail Association." Dickhart, a member of the HSRA board of directors, served as its vice president and as chairman of the Chicago convention. He represents Transrapid International in the U.S.A.

TEAM WINNERS OF THE "SPARKY", Dr. Jim Powell (left) and Dr. Gordon Danby (center), receive their award from Representative Rick Geist, first recipient of the honor.

WINNERS OF THE CHAIRMAN'S AWARD Don Roth (left) and Bill Dickhart (right) received their honors from Chairman Bob Pattison during the Eighth International Convention on High Speed Rail.

U.S.S.R. RAILWAYS

The Soviet Railways extend 85,073 miles (136,969 km), of which more than 20,000 miles (32,000 km) are electrified. The Soviet Union is planning several high speed rail lines, most notably Moscow-Leningrad.

RILEY PRAISES HSRA

In his convention address, Minnesota Transportation Commissioner John H. Riley paid tribute to the High Speed Rail Association, and urged strong support for it. "In the early days of high speed rail, the Association kept the momentum going," he said.

50 Percent Jump In HSRA Members

At the San Antonio Convention in May, 1990, the Texas High Speed Rail Authority became the Association's 600th member.

By May 7, 1991, membership increased to 900 with the admission of the Soviet Railways.

That's a 50 percent increase in membership in just one year, despite the recession.

Welcome New Members

Joseph C. Aiello
MBTA
Boston, MA

George H. Berger
Pataskala, OH

Berliner Handels & Frankfurter
I.A. Man
Frankfurt, Germany

James H. Bolitho
Madison, WI

Dr. Colin P. Britcher
Old Dominion University
Norfolk, VA

Dr. Glenn A. Burdick
Tarpon Springs, FL

CP Rail
T.W. Phillips
Montreal, Quebec

Hon. Richard J. Cessar
House of Representatives
Harrisburg, PA

Marc-Andre Charlebois
VIA Rail Canada
Montreal, Quebec

Compin
Martin Tranie
Berwyn, PA

Jeffrey S. Craigmile
Lyon and McManus
Orlando, FL

DKS Associates
Paul Taylor
Oakland, CA

Rex Eads
Big Bend EDC
Ephrata, WA

The First Boston Corporation
Thomas W. Bradshaw, Jr.
New York, NY

Andrew R. Freeman
Bells, TN

Ronald A. Fried
Holland & Knight
Washington, DC

Frog, Switch & Manufacturing Company
Robert J. Sleeman
Carlisle, PA

Daniel Gilbert
Boulder, CO

Gerard J. Grassi
Troy, NJ

Guardtree Limited
Martin Baral
Seattle, WA

Kenneth Hausman
Franklin Park, NJ

Chris Hayward
Moscow, ID

Herzog Contracting Corp
Alan L. Landes
San Diego, CA

Steven M. Hogan
Santa Ana, CA

Huitt-Zollars, Inc., Consulting Eng.
Richard Seitz
Dallas, TX

Diana Hull
Academy of Florida Trial Lawyers
Tallahassee, FL

Charles D. Kilbury
Pasco, WA

Gerry Kolaitis
VIA Rail Canada
Montreal, Quebec

Ram Krishna
Rail Construction Corporation
Los Angeles, CA

LS Transit Systems, Inc.
Albrecht P. Engel
Bloomfield, NJ

Paul J. Landis
House of Representatives
Harrisburg, PA

James H. Lowery
Dayton OH

Clyde McElman
Transport Canada, Passenger Policy & Program
Ottawa, Ontario

Donald P. Morton
Richland, WA

Ira T. Myers
NASA Lewis Research Center
Cleveland, OH

Nielsen-Wurster Group, Inc.
Patricia D. Galloway, P.E.
Princeton, NJ

Nippon Sharyo U.S.A., Inc.
Yasuhiko Mochizuki
New York, NY

Firouzeh Nourzad
North Central Texas Council of Governments
Arlington, TX

J.R. Paquette
VIA Rail Canada
Montreal, Quebec

Melvin Petty
Flushing, NY

R.T. Pisani
St. Louis, MO

Peter E. Plumeau
U.S. General Accounting Office
Washington, DC

Elizabeth Prebich
County Commissioner
Virginia, MN

Marilyn Ragusa
Aurora, CO

Railroad Construction Company, Inc.
Alfonso Daloisio, Jr.
Paterson, NJ

Delegate James C. Rosapepe
Annapolis, MD

Daniel Roth
Flushing, NY

Dr. Alfred Runte
Seattle, WA

Safety & Systems Assurance
Consultants, Inc. (SSA)
Patricia D. Jacob
Atlanta, GA

Jeffrey Schultz
South Coast Air Quality Management
District
El Monte, CA

Science Applications International
Corporation
Audrey Milroy
Huntsville, AL

Dr. L. David Shen
Florida International University
Miami, FL

Slattery Associates
John F. Zuspan
Maspeth, NY

Soviet Railway
G.M. Fadeev
Moscow, U.S.S.R.

Sverdrup Corporation
Gordon R. Pennington
St. Louis, MO

TMS/Benesch High Speed Rail
Consultants
Charles H. Quandel
Chicago, IL

Trac-Work, Inc.
W.M. Bush, Jr.
Ennis, TX

Transportation Trades Department,
AFL-CIO
Edward Wytkind
Washington, DC

Brian R. Younge, M.D.
High Speed Rail Commission
Rochester, MN

Airline, Railroad Will Study Quebec-Ontario HSR Link

Air Canada and CP Rail have announced plans to study feasibility of a high speed passenger train on Canada's busiest corridor, Quebec and Ontario.

The two Montreal-based companies will spend $425,000 ($500,000 Canadian) next year to determine whether there is a market.

The densely populated strip encompassing Montreal and Toronto, Canada's two largest cities, has a population of approximately 8 million.

Two other groups, Bombardier Inc. of Montreal and Europe's ABB, already are promoting the concept of a high speed train for the corridor.

"We want to take a leadership role in understanding the forces that will shape our business in the longer term," said Claude Taylor, Air Canada chairman.

"The marketplace should be a prime motivator for the corridor," remarked Tim Humphreys, CP Rail information officer.

CP Rail has a right-of-way on a substantial part of the heavily traveled corridor.

They point to the possibility of some kind of connector service, bringing passenger trains into airports. In particular, Montreal and Toronto could be used as intermodal hubs feeding traffic into a new service.

Under such a hub-and-spoke system, travelers coming into Montreal and Toronto by plane or train could be transported to final destination through the appropriate mode of transportation.

On some sections of the corridor, 80 percent of the passengers travel by car, a potential target market. Air travel accounts for about 12 percent of the traffic within the corridor.

A high speed train could chop about two hours or more from the nearly five-hour rail trip between Montreal and Toronto over a distance of 370 miles.

It also would help relieve congestion at Toronto's Pearson International Airport, Canada's busiest airport.

HSR YEARBOOK AVAILABLE

The annual HSR Yearbook, containing convention proceedings and the high speed rail directory, was distributed at the California convention to members present. It is being mailed to all other members. For non-members, it is available at $10 plus $2 postage and handling. Write to the Association at 206 Valley Court, Suite 800, Pittsburgh, Pa. 15237.

ROSNER IN TIMES

Carl Rosner, chairman of Intermagnetics General Corporation (IGC), a member of the HSRA, was featured in a long article in the business section of the New York Times May 4. The article describes his background and the spin-off of IGC from General Electric. He predicts that IGC will be in the best position to develop superconducting magnets.

NEW FARES FOR ICE

"For the first time our fares will not be based on the distance travelled, but will be pitched according to the market and the competition."

– Hemjo Klein, Board Member
Passenger Services
Deutsche Bundesbahn

ICE Train

(Continued from Page 1)

However, passengers are unlikely to use Line 6 for Hannover-Munich end-to-end trips because conventional trains offer a "shortcut" on Line 4 via Wurzburg. The ICE Line 6 was chosen to maximize the speed potential of the new equipment.

For example, ICE trains will speed from Mannheim to Stuttgart, 62 miles (100 km) in 40 minutes, at speeds up to 165 mph (287 km/h).

The Hannover-Frankfurt trip at 2 hours 22 minutes will be well within the 3 hour ceiling considered as the limit for day return business trips and nearly an hour faster than the present elapsed time.

Plans drawn up in the late-1980s for this year's launch of ICE service were thrown into disarray by German reunification. Significantly, a single timetable will be issued this summer for both Deutsche Bundesbahn and the East German Railway.

The entire complement of 60 ICE trainset will not be available until 1993.

Additional ICE sets will be put into service late this year, but the coherent network of five ICE routes will not be in place until 1992.

The ICE trains will be equipped with telephones, video consoles and other amenities not usually available on transit systems.

KOREAN MAGLEV

Hyundai Precision & Industry and the Korea Electro-Technology Research Institute are developing a maglev system. Testing is underway. A working 60-passenger model may be demonstrated at speeds of 24 mph (40 km/h) at the 1993 Expo in Taejon. In 1994, work on the 120 mph (200 km/h) version is planned, followed by a 300 mph (500 km/h) version in 1998.

CONGRESSIONAL ACTIVITY

Three officers of the HSRA have testified before Congressional committees this year, as new high speed rail legislation starts the journey through the Federal process. Details will be presented in the next issue of SPEEDLINES.

Time Has Come For U.S. HSR Help

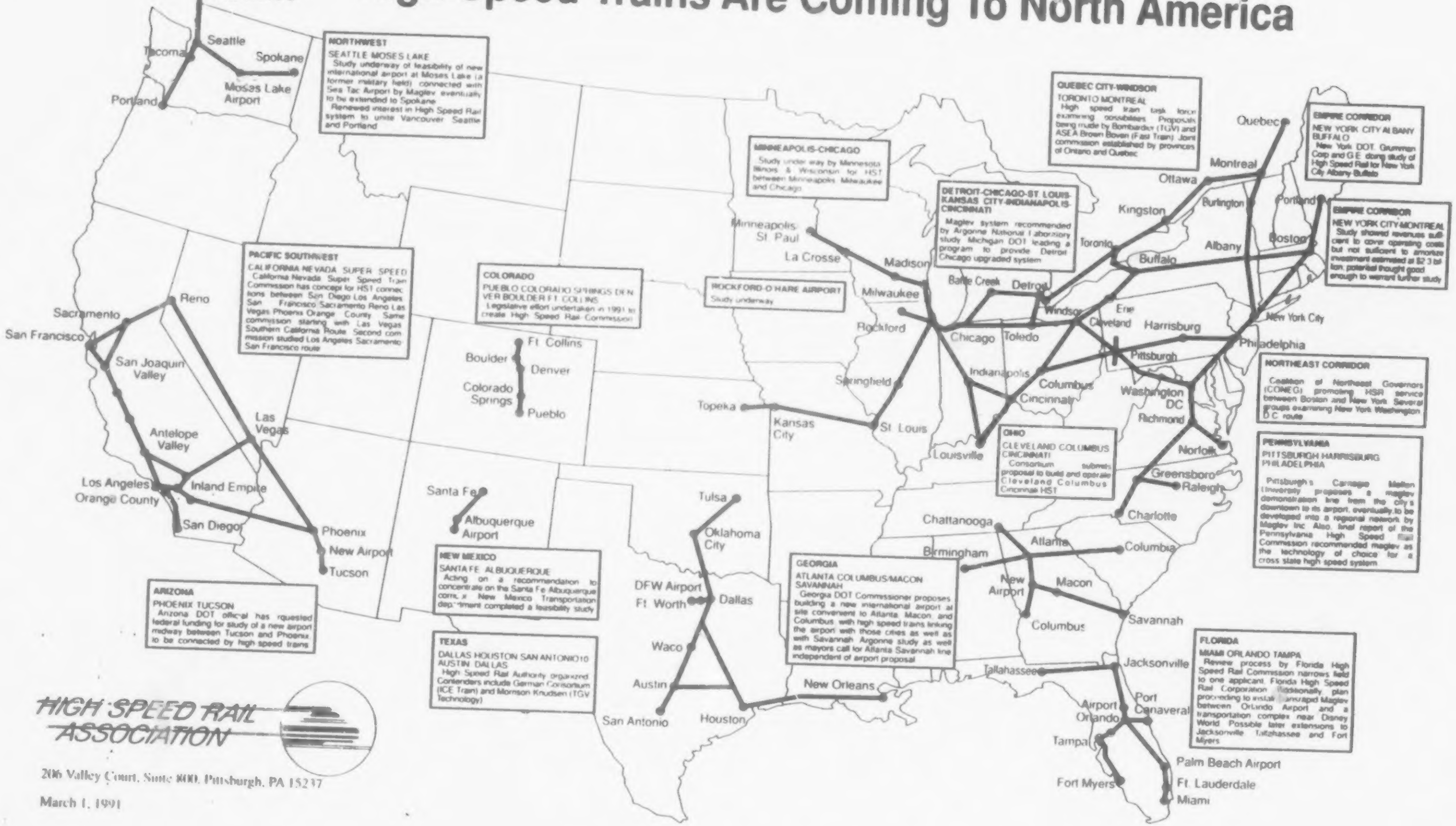
The time has come for federal assistance to U.S. high speed rail programs, Federal Railroad Administrator Gilbert Carmichael told the 408 delegates to the Eighth International Convention on High Speed Rail.

"Between now and October, those of us who want a multi-modal, very flexible surface transportation act must do their job," he remarked. He added that the Federal Aviation Administration has reported the future of aviation to be a combination of much larger aircraft -- some up to 1,000 seats -- with high speed rail "feeder" systems.

The administrator said, "The FAA report states in cold clear language, 'we cannot fill those big planes up with little feeder airplanes. It takes too many of them to do it. We must have high speed surface systems.' Together with the Bush Administration's new attitude toward rail passenger service as part of needed surface transportation, this is good news for people promoting high speed rail, the people in this room."

Carmichael also noted "during the last two years that I've been with you we've been in the process of trying to generate public-private partnerships and state awareness. I think the secretary of transportation of California who was just here, his awareness is coming up. I see it all across this country."

High Speed Trains Are Coming To North America


Vancouver, B C
Seattle
Tacoma
Spokane
Moses Lake Airport
Portland
Sacramento
San Francisco
Reno
San Joaquin Valley
Las Vegas
Antelope Valley
Los Angeles
Orange County
Inland Empire
San Diego
Phoenix
New Airport
Tucson
Ft Collins
Boulder
Denver
Colorado Springs
Pueblo
Santa Fe
Albuquerque Airport
Tulsa
Oklahoma City
DFW Airport
Ft Worth
Dallas
Waco
Austin
San Antonio
Houston
New Orleans
Topeka
Kansas City
Minneapolis St Paul
La Crosse
Madison
Milwaukee
Rockford
Chicago
Springfield
St Louis
Battle Creek
Detroit
Toledo
Windsor
Indianapolis
Louisville
Columbus
Cincinnati
Cleveland
Erie
Pittsburgh
Harrisburg
Philadelphia
Washington DC
Richmond
Norfolk
Greensboro
Raleigh
Charlotte
Chattanooga
Birmingham
Atlanta
New Airport
Macon
Columbus
Columbia
Savannah
Jacksonville
Tallahassee
Airport Orlando
Port Canaveral
Tampa
Fort Myers
Palm Beach Airport
Ft. Lauderdale
Miami
Toronto
Kingston
Ottawa
Montreal
Quebec
Burlington
Buffalo
Albany
Portland
Boston
New York City

NORTHWEST
SEATTLE MOSES LAKE
Study underway of feasibility of new international airport at Moses Lake (a former military field) connected with Sea Tac Airport by Maglev eventually to be extended to Spokane.
Renewed interest in High Speed Rail system to unite Vancouver Seattle and Portland

PACIFIC SOUTHWEST
CALIFORNIA NEVADA SUPER SPEED
California Nevada Super Speed Train Commission has concept for HST connections between San Diego Los Angeles San Francisco Sacramento Reno Las Vegas Phoenix Orange County. Same commission starting with Las Vegas Southern California Route. Second commission studied Los Angeles Sacramento San Francisco route

COLORADO
PUEBLO COLORADO SPRINGS DENVER BOULDER FT COLLINS
Legislative effort undertaken in 1991 to create High Speed Rail Commission

MINNEAPOLIS-CHICAGO
Study under way by Minnesota Illinois & Wisconsin for HST between Minneapolis Milwaukee and Chicago

ROCKFORD-O'HARE AIRPORT
Study underway

DETROIT-CHICAGO-ST LOUIS-KANSAS CITY-INDIANAPOLIS-CINCINNATI
Maglev system recommended by Argonne National Laboratory study. Michigan DOT leading a program to provide Detroit Chicago upgraded system

QUEBEC CITY-WINDSOR
TORONTO MONTREAL
High speed train task force examining possibilities. Proposals being made by Bombardier (TGV) and ASEA Brown Boveri (Fast Train). Joint commission established by provinces of Ontario and Quebec

EMPIRE CORRIDOR
NEW YORK CITY ALBANY BUFFALO
New York DOT, Grumman Corp and G E doing study of High Speed Rail for New York City Albany Buffalo

EMPIRE CORRIDOR
NEW YORK CITY-MONTREAL
Study showed revenues sufficient to cover operating costs but not sufficient to amortize investment estimated at $2.3 billion, potential thought good enough to warrant further study

NORTHEAST CORRIDOR
Coalition of Northeast Governors (CONEG) promoting HSR service between Boston and New York. Several groups examining New York Washington D C route

PENNSYLVANIA
PITTSBURGH HARRISBURG PHILADELPHIA
Pittsburgh's Carnegie Mellon University proposes a maglev demonstration line from the city's downtown to its airport, eventually to be developed into a regional network by Maglev Inc. Also, final report of the Pennsylvania High Speed Rail Commission recommended maglev as the technology of choice for a cross state high speed system

OHIO
CLEVELAND COLUMBUS CINCINNATI
Consortium submits proposal to build and operate Cleveland Columbus Cincinnati HST

GEORGIA
ATLANTA COLUMBUS/MACON SAVANNAH
Georgia DOT Commissioner proposes building a new international airport at site convenient to Atlanta, Macon and Columbus with high speed trains linking the airport with those cities as well as with Savannah. Argonne study as well as mayors call for Atlanta Savannah line independent of airport proposal

FLORIDA
MIAMI ORLANDO TAMPA
Review process by Florida High Speed Rail Commission narrows field to one applicant, Florida High Speed Rail Corporation. Additionally, plan proceeding to install Transrapid Maglev between Orlando Airport and a transportation complex near Disney World. Possible later extensions to Jacksonville, Tallahassee and Fort Myers

NEW MEXICO
SANTA FE ALBUQUERQUE
Acting on a recommendation to concentrate on the Santa Fe Albuquerque corridor New Mexico Transportation department completed a feasibility study

TEXAS
DALLAS HOUSTON SAN ANTONIO TO AUSTIN DALLAS
High Speed Rail Authority organized. Contenders include German Consortium (ICE Train) and Morrison Knudsen (TGV Technology)

ARIZONA
PHOENIX TUCSON
Arizona DOT official has requested federal funding for study of a new airport midway between Tucson and Phoenix to be connected by high speed trains

HIGH SPEED RAIL ASSOCIATION

206 Valley Court, Suite 800, Pittsburgh, PA 15237

March 1, 1991

TESTIMONY FOR COMMISSIONER TOM FOERSTER

CONGRESSIONAL HEARING: JUNE 3, 1991

INFRASTRUCTURE FACILITIES AND ECONOMIC DEVELOPMENT IN ALLEGHENY COUNTY IN THE 1990'S

(1) INFRASTRUCTURE FACILITIES DEVELOPMENT AND THEIR FUNDING SUPPORT IN THE PAST

HISTORICALLY, THE FEDERAL STATE GOVERNMENTS HAVE PLAYED SIGNIFICANT ROLES IN THE DEVELOPMENT OF INFRASTRUCTURE FACILITIES THROUGHOUT THE UNITED STATES. THE SUPPORT OF FEDERAL AND STATE GOVERNMENTS RESULTED IN THE DEVELOPMENT OF A HIGHLY EFFICIENT NETWORK OF INFRASTRUCTURE FACILITIES WHICH SERVED AS THE BASIS OF OUR NATIONAL ECONOMY. LOCAL GOVERNMENT HAS ALSO PLAYED AND CONTINUES TO PLAY A BIG ROLE IN THE CONSTRUCTION, MAINTENANCE AND DEVELOPMENT OF THESE FACILITIES. IN MANY INSTANCES, PRIVATE SECTOR ENTERPRISES HAVE CONSTRUCTED FACILITIES NECESSARY FOR INDUSTRIAL USE. THEREFORE, IT IS WELL ESTABLISHED THAT OUR PRESENT INFRASTRUCTURE FACILITIES NETWORK WAS THE PRODUCT OF COOPERATIVE SUPPORT INVOLVING FEDERAL, STATE, LOCAL GOVERNMENTS AND PRIVATE SECTOR ORGANIZATIONS.

AS WE EXPERIENCE A MAJOR STRUCTURAL TRANSFORMATION IN OUR ECONOMY, THIS HISTORICAL EXPERIENCE POINTS TO A SOUND

COOPERATIVE PARTNERSHIP IN ADDRESSING FUTURE DEVELOPMENT PROGRAMS. WE BELIEVE THAT WE SHOULD CONTINUE A SYSTEM OF COOPERATION AND JOINT FUNDING BOTH IN THE MAINTENANCE OF EXISTING FACILITIES AND IN THE DEVELOPMENT OF NEW FACILITIES REQUIRED BY NEW ECONOMIC NEEDS.

(2) IMPORTANCE OF INFRASTRUCTURE TO ECONOMIC DEVELOPMENT: THE CASE OF PITTSBURGH

THE PITTSBURGH REGION DEMONSTRATES PARTICULARLY WELL THE VITAL IMPORTANCE OF INFRASTRUCTURE FACILITIES FOR AN INDIVIDUAL REGION. THE PREDOMINANT INDUSTRIES OF PITTSBURGH, CONSISTING OF MINING, STEEL, FABRICATION, AND MACHINERY REQUIRED THE DEVELOPMENT OF MAJOR INFRASTRUCTURE FACILITIES, PARTICULARLY TRANSPORTATION, TO ASSURE THE MOVEMENT OF GOODS, PEOPLE, RAW MATERIALS, AND PRODUCTS IN AN EFFICIENT AND TIMELY MANNER. TRANSPORTATION FACILITIES INCLUDE THE RAILROAD SYSTEM, WATERWAYS AND PORT FACILITIES, HIGHWAYS, AND TRUCK SERVICE, AIR SERVICE AND PUBLIC TRANSPORTATION.

TWENTY RAILROADS SERVICE THE PITTSBURGH AREA. ABOUT 1/8 OF ALL RAIL FREIGHT TONNAGE IN THE UNITED STATES ORIGINATES IN, TERMINATES IN, OR PASSES THROUGH THE PITTSBURGH REGION. THESE RAIL COMPANIES CARRY EVERYTHING FROM FROZEN POULTRY TO NEW AUTOMOBILES TO HOT SLAG FROM THE STEEL MILLS. THE MAJOR RAIL LINES INCLUDE THE PENN CENTRAL, THE CHESAPEAKE AND OHIO, BALTIMORE AND OHIO SYSTEM, THE NORFOLK AND WESTERN SYSTEM, THE BESSEMER AND LAKE ERIE, AND THE PITTSBURGH AND LAKE ERIE.

PITTSBURGH'S WATERWAYS MOVE 65 MILLION TONS OF COMMERCE ANNUALLY, MAKING IT THE LARGEST INLAND PORT IN THE NATION. IT IS SERVICED BY ELEVEN OF THE NATION'S MAJOR INLAND WATERWAY BARGE CARRIERS. HUGH TONNAGES OF COAL, STEEL, INDUSTRIAL CHEMICALS AND RAW MATERIALS ARE CARRIED ON THE ALLEGHENY AND MONONGAHELA RIVERS TO THE OHIO RIVER. ACCESS TO AND FROM THE RIVERS IS FACILITATED BY INDEPENDENT RIVER-RAIL-TRUCK TERMINALS STRATEGICALLY LOCATED ON THE THREE PRINCIPAL RIVERS.

THE NETWORK OF HIGHWAYS, BRIDGES, AND TUNNELS IS A VITAL ELEMENT OF THE REGION'S INDUSTRIAL AND COMMERCIAL TRANSPORTATION SYSTEM. OVER 400 FREIGHT CARRIERS HAUL TONNAGE FROM PITTSBURGH TO EVERY POINT OF COMMERCIAL AND INDUSTRIAL IMPORTANCE IN THE U.S. OVER-NIGHT TRUCKING DISTANCE RADIATES 350 MILES FROM THE CIRCUMFERENCE OF THE CITY. HIGHWAY TRANSPORT IS AN ESSENTIAL PART OF THE PROVISION OF GOODS, PRODUCTS AND RAW MATERIALS REQUIRED FOR THE ECONOMY OF THIS REGION.

THE GREATER PITTSBURGH INTERNATIONAL AIRPORT HAS PLAYED AN ESSENTIAL PART IN TRANSFORMING PITTSBURGH INTO A MAJOR INDUSTRIAL AND COMMERCIAL CENTER, BUT ITS ROLE WILL BE EVEN MORE IMPORTANT IN THE DECADES AHEAD. ITS PROJECTED EXPANSION WILL EXPAND AIRCRAFT POSITIONS AND PROVIDE EXTENDED SPACE AND FACILITIES FOR PASSENGER AND CARGO SERVICES. INFRASTRUCTURE FACILITIES TO ENCOURAGE REDEVELOPMENT OF PUBLICLY-OWNED LAND OF 1,000 ACRES ARE ALSO BEING PLANNED. IT IS ESTIMATED THAT THESE FACILITIES

ALONE WILL GENERATE AN ADDITIONAL 18,000 NEW JOBS. IN ADDITION, THE SIGNIFICANT BUSINESS IMPACTS OF THE PROJECT ARE EXPECTED TO MAKE THE AIRPORT AREA THE MAJOR CENTER OF ECONOMIC GROWTH IN COMING YEARS.

FROM THESE MAJOR EXAMPLES IT IS QUITE OBVIOUS THAT INFRASTRUCTURE FACILITIES ARE AN IMPORTANT PREREQUISITE OF ECONOMIC DEVELOPMENT, AND ALSO THAT THEY ARE A MAJOR SOURCE OF NEW JOBS AND PRIVATE INVESTMENTS.

(3) IMPACTS OF THE STRUCTURAL DECLINE OF THE STEEL INDUSTRY ON INFRASTRUCTURE FACILITIES IN ALLEGHENY COUNTY

AS A RESULT OF THE CLOSINGS OF SEVEN MAJOR STEEL FACILITIES, REDUCED PRODUCTION CAPABILITIES IN OTHER LARGE AND MID-SIZE PLANTS, AND THE PERMANENT LOSS OF 100,000 MANUFACTURING JOBS, INDUSTRIAL INFRASTRUCTURE FACILITIES IN ALLEGHENY COUNTY HAVE LOST THEIR ECONOMIC ROLE, HAVE SIGNIFICANTLY DETERIORATED, AND REQUIRED PUBLIC ASSISTANCE

IN THEIR REDEVELOPMENT. ADDITIONAL SUPPORT IS REQUIRED TO EXPAND INEFFICIENT TRANSPORTATION FACILITIES AND TO BUILD NEW HIGHWAY SYSTEMS TO ACCOMMODATE INDUSTRIAL AND RESIDENTIAL REQUIREMENTS. THE TASK OF MODERNIZING LARGE INDUSTRIAL FACILITIES REQUIRES AMOUNTS OF FUNDING THAT CAN ONLY BE ACCOMPLISHED WITH STATE AND FEDERAL ASSISTANCE. THE ROAD SYSTEMS, UTILITIES AND STRUCTURES OF THESE PLANTS ARE NO LONGER FUNCTIONAL AND IN MOST CASES HAVE TO BE REPLACED. AN ADDITIONAL RESPONSIBILITY IS THE ENVIRONMENTAL CLEARANCE OF THESE SITES, REQUIRING TECHNICAL CAPACITY, LARGE AMOUNTS OF FUNDING AND LONG WAITING PERIODS PRIOR TO UTILIZATION. STILL ANOTHER ISSUE IS THE DECLINE OF FORMERLY STABLE COMMUNITIES THAT HAVE LOST THEIR MAIN SOURCES OF EMPLOYMENT. THESE COMMUNITIES NEED NEW EMPLOYMENT, ASSISTANCE IN INFRASTRUCTURE DEVELOPMENT, FUNDING TO MAINTAIN COMMUNITY FACILITIES AND TRANSPORTATION IMPROVEMENTS TO AND FROM MAJOR HIGHWAY SYSTEMS.

IT IS CLEAR THEREFORE THAT THE STATUS OF INDUSTRIAL INFRASTRUCTURE IN ALLEGHENY COUNTY HAS SERIOUSLY DETERIORATED AS A RESULT OF INDUSTRIAL DECLINE AND THAT STATE AND FEDERAL ASSISTANCE WILL BE REQUIRED TO ENABLE THE COUNTY AND ITS RESIDENTS TO PROVIDE EFFICIENT AND ATTRACTIVE INFRASTRUCTURE FACILITIES FOR FUTURE ECONOMIC DEVELOPMENT

(4) TRANSITION TO A DIVERSIFIED ECONOMIC STRUCTURE AND NEW REQUIREMENTS IN INFRASTRUCTURE FACILITIES

OUR ECONOMY HAS BEEN FUNDAMENTALLY TRANSFORMED IN THE PAST DECADE IN SEVERAL RESPECTS: OUR MANUFACTURING INDUSTRIES HAVE DECLINED SUBSTANTIALLY IN EMPLOYMENT AND EXPORT CAPACITY; NEW SOURCES OF EMPLOYMENT IN THE SERVICE INDUSTRIES HAVE EXPANDED;SMALL AND MEDIUM-SIZED BUSINESSES HAVE INCREASED; INDUSTRIES WITH ADVANCED TECHNOLOGIES HAVE CREATED NEW JOBS AND MARKETS; NEW COMMUNICATIONS SYSTEMS HAVE BEEN ESTABLISHED; AND INTERNATIONAL TRADE HAS BECOME AN IMPORTANT SOURCE OF

BUSINESS EXPANSION. IN FACT, WHAT HAS OCCURRED IS THAT WE ARE AN INTEGRAL PART OF AN INTERNATIONAL MARKET PLACE, WHERE COMPETITIVENESS IN GOODS, SERVICES, QUALITY OF LIFE, TECHNOLOGY AND EDUCATION IS A BASIC REQUIREMENT OF ECONOMIC SUCCESS.

IN THE PRESENT ECONOMY, WE ARE FACED WITH SEVERAL CHALLENGES IN DEVELOPING INFRASTRUCTURE FACILITIES. WE MUST CONTINUE TO MAINTAIN AND IMPROVE TRADITIONAL FACILITIES SUCH AS HIGHWAYS, BRIDGES, WATERWAYS, RAILROAD SYSTEMS, BUT IN VIEW OF THE HIGH COSTS OF SUCH FACILITIES THESE FACILITIES SHOULD BE EXTENDED PRIMARILY FOR ESSENTIAL ECONOMIC REQUIREMENTS. WE MUST EXPAND WITH PARTICULAR ENERGY THOSE FACILITIES THAT ARE ESSENTIAL FOR PARTICIPATING IN THE NEW GLOBALLY-ORIENTED INTERNATIONAL ACTIVITIES. THESE INCLUDE THE EXPANSION OF OUR AIRPORT, THE IMPROVEMENT OF ACCESS FACILITIES RELATED TO AIR TRANSPORTATION, THE DEVELOPMENT OF EFFICIENT URBAN TRANSPORTATION SYSTEMS AND THE EXTENSION OF NEW

COMMUNICATIONS SYSTEM IN OUR MAJOR URBAN CENTERS. THE THIRD AREA OF INFRASTRUCTURE DEVELOPMENT CAN BE DESIGNATED HUMAN INFRASTRUCTURE, INCLUDING THE SKILLS AND ABILITIES TO FUNCTION IN THE NEW ECONOMIC ENVIRONMENT AND TO UTILIZE THE NEW TECHNOLOGIES OPERATING IN THE WORKPLACE. THESE INCLUDE TECHNOLOGICAL SKILLS, ADVANCED EDUCATION, INTERNATIONAL COMMUNICATIONS, MULTI-LINGUAL ABILITIES AND GLOBAL UNDERSTANDING. WE ARE JUST NOW IN THE PROGRESS OF FORMULATING THESE THREE PRIORITIES AND OF FINDING WAYS TO INTEGRATE THEM IN OUR ECONOMY.

THE EXPANSION OF THE GREATER PITTSBURGH INTERNATIONAL AIRPORT SHOULD BE MENTIONED AS AN EXCELLENT EXAMPLE OF AN ESSENTIAL FACILITY PREPARING THE GLOBAL ORIENTATION OF OUR REGIONAL ECONOMY. PRESENT EXPANSION PLANS WILL CREATE AND INTERNATIONAL FACILITY THAT WILL MEET THE REQUIREMENTS OF EXPANDED INTERNATIONAL TRADE BY PITTSBURGH BUSINESSES AND WILL MAKE PITTSBURGH A SIGNIFICANT ECONOMIC CENTER FOR BUSINESSES FROM AROUND THE WORLD. ACCESS FACILITIES

WILL EXTEND THE AIRPORT'S EFFECTIVENESS TO COMMUNICATIONS AND TRANSPORTATIONS WITHIN THE URBAN CORE. THE EXPENDED AIRPORT WILL PROVIDE AN INTERNATIONAL TRANSPORTATION FACILITIES NOT ONLY FOR THE CITY AND ALLEGHENY COUNTY, BUT FOR THE ENTIRE REGION OF WESTERN PENNSYLVANIA. INTERNATIONAL TRADE INITIATIVES NOW UNDERWAY IN PITTSBURGH DEMONSTRATE THAT PITTSBURGH IS MOVING DELIBERATELY TO BECOME ONE OF THE SIGNIFICANT CENTERS OF WORLD TRADE.

(5) RECOMMENDATIONS

THE FEDERAL GOVERNMENT SHOULD RECOGNIZE THAT CURRENT CHANGES IN THE INTERNATIONAL ECONOMY REQUIRE A NEW APPROACH TO THE DEVELOPMENT AND FUNDING OF INFRASTRUCTURE FACILITIES. THE THREE PRIORITIES OF INFRASTRUCTURE INDICATED REQUIRE THAT THE FEDERAL, STATE AND LOCAL GOVERNMENTS UNDERTAKE JOINT ASSESSMENTS, PRIORITY DESIGNATIONS, DEVELOPMENT PROGRAMS AND FUNDING COMMITMENTS TO ADDRESS REGIONAL INFRASTRUCTURE NEEDS FROM THE POINT OF VIEW OF THE GLOBAL ECONOMY. IN ADDITION, REGIONS SUCH AS PITTSBURGH, WHICH HAVE EXPERIENCED AN UNPRECEDENTED EROSION OF THE TRADITIONAL ECONOMIC BASE AND THE CONSEQUENT LOSS OF INDUSTRIAL INFRASTRUCTURE FACILITIES, SHOULD RECEIVE SPECIAL ATTENTION AND SUPPORT IN THE COMPLEX AND COSTLY PROCESS OF REDEVELOPMENT OF ANTIQUATED INDUSTRIAL AND INFRASTRUCTURE FACILITIES FOR NEW USES. AT THE SAME TIME, THESE REGIONS SHOULD ALSO RECEIVE SUPPORT IN THE IMPROVEMENT OF THOSE PRIORITIES OF INFRASTRUCTURE DEVELOPMENT WHICH WILL LINK THEM WITH THE GLOBAL ECONOMY AND ENABLE THEM TO REVITALIZE THEIR ECONOMIC BASE. THEREFORE, IT IS INDISPENSABLE TO ESTABLISH THE TRADITIONAL PARTNERSHIP OF FEDERAL, STATE AND LOCAL GOVERNMENTS TO DEVELOP THOSE INFRASTRUCTURE FACILITIES THAT WILL PREPARE US TO COMPETE IN THE GLOBAL ECONOMY OF THE 1990'S.

SPRPC

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LOCAL GOVERNMENT PROJECTS

[illegible]
Chairman

AIRPORT PLANNING

[illegible]
Chairman

STAFF

[illegible]
Executive Director

TESTIMONY
TO THE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
OF THE
HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE

JAMES A. GREEN
Commissioner, Butler County
Chairman, Southwestern Pennsylvania Regional
Planning Commission

Good morning. I am Jim Green, a Commissioner of Butler County and Chairman of the Southwestern Pennsylvania Regional Planning Commission. SPRPC is a federally-designated Metropolitan Planning Agency responsible for transportation planning. Thank you, Congressman Kolter, for this opportunity to speak about the powerful impact of the Appalachian Regional Commission and the Economic Development Administration.

They have been indispensable for a wide range of projects in our region. Grants for transportation projects have been especially important because our needs so greatly exceed available resources. I would like to highlight just a few, key grants.

A $300,000 EDA grant is financing the access road to the Westmoreland County Business and Research Park. That industrial park will generate 2,000 jobs within the next 10 years. In Washington County at a development called Southpointe, a $400,000 EDA grant is a vital piece of a $500 million public-private partnership. Southpointe will be a premier multi-use development in a county that lost thousands of manufacturing jobs in the 80's. Here in Beaver County, EDA recently provided $17,000 for an Emergency Water Interconnect Study. ARC provided $1.3 million for a bridge near New Stanton in Westmoreland County. This grant enabled the Charley Brothers Corporation to build a modern food distribution center; it serves markets in Pennsylvania, Maryland, West Virginia, and Ohio.

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These and other infrastructure grants from ARC and EDA are immensely important to southwestern Pennsylvania. The transportation grants are especially important. Better highways and bridges are fundamental for attracting new industry and helping our long-standing firms to grow and prosper. These infrastructure investments are helping our region to restructure its economy and revitalize its depressed communities.

Economic development features prominently in the transportation needs of southwestern Pennsylvania. In total, the six-county region faces a 12-year need of $10 billion dollars, while only $4 billion are available through existing programs. Economic development highways account for $2 billion of this need. Economic development highways comprise one of four components of the region's transportation needs. They are: (1) maintaining and enhancing our existing highways; (2) maintaining local roads; (3) expanding transit, and (4) providing new highways for economic development.

First is maintenance of the existing highway and bridge system. There are 5,000 bridges in southwestern Pennsylvania, and over 2,000 are deficient. The total bridge need is $2 billion over 12 years. In addition to maintaining the existing highways, we must also improve how they function. SPRPC's plan to do this is called the Priority Highway System Plan. It involves a series of interrelated projects that will gradually upgrade the continuity and capacity of our region's most important arterials. Projects include roadway widening, turning lanes, and signal coordination. Improving the existing highway system will solve many of our current traffic problems--but it will cost nearly a billion dollars.

A second major need is maintenance of local roads. Municipalities own over 10,000 miles of local roads in southwestern Pennsylvania. Fifty-five percent are in fair or poor condition. At the current rate of spending, nearly two thirds will be in poor shape in 12 years. The cost of maintaining our local roads in at least fair condition is $1.8 billion.

Good transit is an essential element in our transportation system. Transit is the sole means of transportation for many residents. Transit also reduces the number of cars on the road which can help reduce congestion and improve air quality. Proposed expansions to the transit system will cost $1.6 billion over the next 12 years.

Finally, we return to economic development highways. Accessibility is a proven stimulus for economic development. There is a long list of proposed projects that will foster redevelopment and new development. These roads have strong supporters, and many development aspirations depend on their completion. Economic development highways have been proposed totalling $2 billion.

The infrastructure investment programs of ARC and EDA are vitally important, particularly since our needs are so great and funds are so short. Without the investments of ARC and EDA, many transportation projects could not be accomplished. Without them, many development opportunities could not have been realized.

Congressmen, I appreciate this opportunity to speak on behalf of the Southwestern Pennsylvania Regional Planning Commission about the vital role that the Appalachian Regional Commission and Economic Development Administration play in southwestern Pennsylvania. Thank you for your considerable attention to these most important infrastructure programs.

TESTIMONY

PRESENTED BY

NANCY P. HOLLISTER, DIRECTOR
GOVERNOR'S OFFICE OF APPALACHIA

ON

JUNE 3, 1991

BEFORE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

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I APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE THIS COMMITTEE REGARDING THE APPALACHIAN REGIONAL COMMISSION (ARC) AND THE SURFACE TRANSPORTATION ACT. I WILL INITIALLY FOCUS MY COMMENTS ON ARC. AS DIRECTOR OF OHIO GOVERNOR VOINOVICH'S OFFICE OF APPALACHIA, LET ME FORMALLY THANK THIS COMMITTEE AND PARTICULARLY CONGRESSMAN APPLEGATE FOR THE ROLE THAT YOU PLAYED IN THE INCLUSION OF COLUMBIANA COUNTY AS A PART OF THE APPALACHIAN REGION. THIS COUNTY HAS SERIOUS ECONOMIC AND SOCIAL PROBLEMS THAT WARRANT ARC ASSISTANCE. THE GOVERNOR'S OFFICE OF APPALACHIA WILL DO ALL THAT WE CAN TO ADDRESS THESE CONCERNS.

IN DISCUSSING ARC, I MUST STRESS THE IMPORTANT AND SUBSTANTIAL ROLE THE PROGRAM HAS PLAYED IN ASSISTING THE 29 COUNTIES OF OHIO APPALACHIA. SINCE ITS INCEPTION DURING THE 1960S, ARC HAS PROVIDED APPROXIMATELY $250 MILLION IN FEDERAL FUNDS TO OHIO TO MATCH STATE AND LOCAL DOLLARS FOR A WIDE ARRAY OF PROJECTS THAT HAVE BENEFITTED AREA RESIDENTS. THESE PROJECTS HAVE INCLUDED EDUCATIONAL COMPLEXES, STRUCTURED TO MEET THE NEEDS OF YOUTH AND ADULTS; MEDICAL FACILITIES THAT PROVIDE MUCH NEEDED HEALTH CARE TO THE REGION'S PRIMARILY RURAL RESIDENTS; AND, PERHAPS MOST SIGNIFICANTLY, BASIC INFRASTRUCTURE (INCLUDING HIGHWAYS, WATER AND SANITARY SEWER SYSTEMS) WHICH PROVIDE THE FOUNDATION FOR ECONOMIC DEVELOPMENT, THAT LEADS TO AN OVERALL IMPROVED STANDARD OF LIVING FOR THE REGION'S RESIDENTS. THE AFOREMENTIONED BEING THE PRIMARY REASON FOR THE EXISTENCE OF PROGRAMS LIKE ARC.

AT PRESENT, OHIO RECEIVES APPROXIMATELY $5 MILLION PER YEAR IN ARC FUNDING. OF THIS TOTAL, OVER $2.8 MILLION IS ALLOCATED FOR HIGHWAY PROJECTS. AROUND $2 MILLION IS AVAILABLE FOR PROJECTS THAT

ARE GENERATED THROUGH OHIO'S THREE LOCAL DEVELOPMENT DISTRICTS. WHILE THE FEDERAL FUNDING LEVELS HAVE DECREASED DRAMATICALLY, ARC IS STILL EXTREMELY IMPORTANT IN LEVERAGING OTHER FUNDS. AS A RESULT, WE CAN EXPECT TO GENERATE AN ADDITIONAL $8 TO $10 MILLION IN STATE, LOCAL AND PRIVATE RESOURCES FOR PROJECTS THAT MAY NOT HAVE MATERIALIZED WITHOUT THE ARC INVESTMENT.

AS IS EVIDENT, MUCH HAS BEEN ACCOMPLISHED, YET FOR NOW AND THE FORESEEABLE FUTURE, ARC FUNDING IS A CRITICAL COMPONENT TO THE QUALITY OF LIFE AND ECONOMIC VIABILITY OF OHIO APPALACHIA'S REGION. THIS IS PARTICULARLY TRUE IN LIGHT OF THE PASSAGE OF THE CLEAN AIR ACT. WITHOUT DEBATING THE FAIRNESS OF THIS LEGISLATION TO OHIO, IT MUST BE STATED THAT THE IMPLEMENTATION OF THE ACT COULD BRING ABOUT ECONOMIC DISASTER TO OUR APPALACHIAN COUNTIES. THE COAL INDUSTRY IS A MAJOR EMPLOYER IN THE REGION AND IT IS APPARENT THAT WE FACE THE POTENTIAL LOSS OF PART OR ALL OF THAT INDUSTRY. ARC FUNDS WILL BE AN IMPORTANT PART OF THE ECONOMIC STRATEGY DESIGNED TO DEAL WITH THIS SITUATION.

IT IS MY HOPE THAT THIS COMMITTEE WILL GIVE EVERY POSITIVE CONSIDERATION TO FUNDING ARC AT THE $170 MILLION LEVEL. FOR OVER 25 YEARS, THERE HAS BEEN A UNIQUE AND SUCCESSFUL LOCAL, STATE AND FEDERAL PARTNERSHIP. THE PROCESS NEEDS TO BE CONTINUED AND STRENGTHENED SO THAT THE APPALACHIAN STATES CAN PROGRESS WITH THE REST OF THE COUNTRY INTO THE NEXT CENTURY.

THIS COMMITTEE RECOGNIZES, PERHAPS BETTER THAN ANY OTHER IN CONGRESS, THAT MODERN ECONOMIC DEVELOPMENT IS INVARIABLY TIED TO A SOUND TRANSPORTATION INFRASTRUCTURE. I AM PLEASED THAT THE COMMITTEE HAS EXPANDED TODAY'S AGENDA TO WELCOME COMMENT ON THE

CRITICALLY IMPORTANT ISSUE OF TRANSPORTATION AND INFRASTRUCTURE NEEDS. OF COURSE FOR MANY PEOPLE AND CERTAINLY FOR MANY OF YOU, THAT CALLS TO MIND THE FEDERAL-AID SURFACE TRANSPORTATION REAUTHORIZATION THAT IS NOW BEFORE CONGRESS. IN THE INTERESTS OF THE ENTIRE APPALACHIAN REGION, AND THE 29 OHIO APPALACHIAN COUNTIES, I AM PLEASED TO COMMENT BRIEFLY ON THE NEED FOR TIMELY PASSAGE OF THIS LEGISLATION.

MR. CHAIRMAN, A NUMBER OF PROMINENT ELECTED OFFICIALS FROM OHIO ALREADY HAVE MADE CLEAR TO THE HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE LEADERSHIP THAT OHIO VIEWS HIGHWAY AND TRANSIT REAUTHORIZATION WITH VERY UNAMBIGUOUS HOPES IN MIND. LAST YEAR, NEARLY A DOZEN OHIO MEMBERS TESTIFIED BEFORE THIS PANEL ON BEHALF OF A REAUTHORIZATION THAT WOULD BE EQUITABLE TO OHIO. MORE RECENTLY, A LETTER SIGNED BY 19 MEMBERS OF THE OHIO CONGRESSIONAL DELEGATION AGAIN CALLED FOR A FAIRER DISTRIBUTION OF FEDERAL TRANSPORTATION FUNDS TO OHIO, EITHER THROUGH REVISION OF EXISTING FUNDING FORMULAS OR, AT THE VERY LEAST, AN UPWARD ADJUSTMENT OF THE MINIMUM ALLOCATION MECHANISM. ANOTHER LETTER, SIGNED BY 19 OF YOUR COMMITTEE COLLEAGUES, INCLUDING TWO FROM OHIO, RECOMMENDED SPECIFIC CHANGES IN PRESENT FUNDING FORMULAS AND IN THE MINIMUM ALLOCATION GUARANTEE. IN A STATEMENT SUBMITTED TO THIS COMMITTEE ON APRIL 10, GOVERNOR VOINOVICH ISSUED A SIMILAR CALL FOR BASIC CHANGES IN THE PROGRAMS WHICH HAVE MADE POSSIBLE THE CONSTRUCTION OF AMERICA'S INTERSTATE HIGHWAY SYSTEM, A REMARKABLY SUCCESSFUL UNDERTAKING WHICH IS NOW VIRTUALLY COMPLETE.

THE OHIO OFFICIALS WHOM I HAVE JUST MENTIONED ARE IN FULL AGREEMENT ON THE NEED TO ENSURE THAT THIS FIRST POST-INTERSTATE

REAUTHORIZATION WILL ENABLE ALL STATES TO FULLY AND FAIRLY REAP THE INTENDED BENEFITS OF FEDERAL-AID TRANSPORTATION PROGRAMS, INCLUDING TRADITIONAL DONOR STATES SUCH AS OHIO. THEY ARE EAGER TO WORK WITH THE COMMITTEE TO PRODUCE A REAUTHORIZATION BILL THAT INCLUDES REVISED POST-INTERSTATE HIGHWAY FUNDING FORMULAS THAT WILL PERMIT OHIO TO UPGRADE ITS TRANSPORTATION INFRASTRUCTURE AND MAKE POSSIBLE THE OPPORTUNITIES FOR GROWTH WHICH THE ENTIRE STATE SORELY NEEDS. SUCH GROWTH WILL BE FAR LESS LIKELY IF EXISTING FEDERAL FUNDING FORMULAS, WHICH HAVE RESULTED IN A NET EXPORT OF $2.2 BILLION IN OHIO TAX DOLLARS TO OTHER STATES SINCE 1956, ARE KEPT ON THE BOOKS FOR ANOTHER FIVE YEARS.

I OFFER THESE THOUGHTS ON THE TRANSPORTATION REAUTHORIZATION NOT AS ONE WHO IS AN EXPERT ON EVERY CATEGORY AND NUANCE OF THE FEDERAL-AID SURFACE TRANSPORTATION PROGRAM, BUT AS ONE WHO UNDERSTANDS THE FUNDAMENTAL ROLE OF TRANSPORTATION IN CREATING OPPORTUNITY; IN DRAWING TOGETHER WORKERS AND EMPLOYERS; IN BRINGING MANUFACTURERS AND FARMERS CLOSER TO THEIR MARKETS.

THE OHIO DEPARTMENT OF TRANSPORTATION HAS ALERTED ME TO POTENTIAL HAZARDS WHICH EXISTING FEDERAL FUNDING FORMULAS WOULD POSE FOR THE STATE'S APPALACHIAN REGION IF THESE POLICIES WERE PERPETUATED IN THE NEXT REAUTHORIZATION. CONTINUING DONOR STATE STATUS -- THAT IS, THE FURTHER DENIAL OF OHIO'S FAIR SHARE OF FEDERAL HIGHWAY FUNDS -- WOULD HAMPER THE STATE'S EFFORT TO CONNECT APPALACHIAN COMMUNITIES WITH OHIO'S OTHER TRANSPORTATION SYSTEMS, URBAN AND COMMERCIAL CENTERS, RIVERS AND GREAT LAKES. THIS SITUATION ALSO RAISES CONCERNS THAT OHIO'S APPALACHIAN REGION WOULD BE MADE THE WEAK TRANSPORTATION LINK AMONG OTHER NEIGHBORING

APPALACHIAN STATES THAT ARE NOT SIMILARLY BURDENED BY DONOR STATE STATUS.

THESE ARE MY OWN THOUGHTS ON TRANSPORTATION REAUTHORIZATION. I AM CONFIDENT THAT THE COMMITTEE WILL WRITE A BILL THAT ADDRESSES THE FAIRNESS ISSUE IN A MANNER THAT IS APPROPRIATE FOR THE POST-INTERSTATE ERA NOW UPON US, AND WHICH ADVANCES THE CAUSE OF THE APPALACHIAN REGIONAL DEVELOPMENT TO WHICH WE ALL SUBSCRIBE.

TESTIMONY PRESENTED TO U.S. HOUSE ECONOMIC DEVELOPMENT SUB-COMMITTEE IN SUPPORT OF THE APPALACHIAN REGIONAL COMMISSION

BY EARL F. HORD, PRESIDENT/CEO THE MINORITY ENTERPRISE CORPORATION OF SOUTHWESTERN PENNSYLVANIA

The Greater Pittsburgh Area, like most major metropolitan regions in America, suffers with a very low number of minority/black owned businesses. Those minority owned businesses that do exist are usually extremely small and often only marginally profitable. Minorities have special needs and special efforts must be made to help them own and expand their businesses. The problem with most minority-owned businesses, is that they start up severely undercapitalized and as a result, most start off weaker and grow slower than traditional start-ups.

Statistical studies over the last decade reveal that blacks own only .13% of all the small businesses in the U. S., although they account for about 12% of the general population. The Corporation plans to address the problem of too few minority owned businesses by offering more than just in-depth consulting and educational assistance to high potential persons who envision large scale operations; the Corporation also plans to provide opportunities to those who envision starting smaller businesses in the Pittsburgh area, particularly in the minority communities.

In the latter part of 1988, key organizations supporting economic development in the region, in conjunction with the Urban League of the City of Pittsburgh and a major private foundation, launched a three year, minority economic development enterprise demonstration program. This program was designed to demonstrate that, by providing high quality technical assistance and by helping aspiring entrepreneurs gain access to funds to start or expand their business, the number, size and strength of minority owned businesses in the area could be significantly increased.

Raising funds to start a program of this type can be very difficult, however the Appalachian Regional Commission, along with the Urban Redevelopment Authority of the City of Pittsburgh and the Pittsburgh Foundation stepped forward to fund the first critical period of this important effort.

The overall goal of this new initiative is to:

1. Stimulate the creation of new minority-owned businesses in Southwestern Pennsylvania.
2. Increase the success rate of minority-owned business in the this region.
3. Work closely with minority entrepreneurs who have the potential to create successful enterprises with regional or national growth potential. The target was those business that possess the potential to grow much faster than the typical small business and to attract new capital.
4. Create successful new role models for others in the minority community to follow.

We will accomplish these goals through the following activities:

a) Providing clearly identified sources of debt and equity funding for those who go through a structured program of workshops and agree to follow-on assistance.

b) Taking necessary steps to stimulate investment in a pool of private capital for black-owned businesses.

c) Presenting more high quality seminars on how to start and finance your own business and on how to start a business through franchising.

d) Providing in-depth technical assistance to promising black businesses and referring them to minority owned consulting firms or the Enterprise Corporation once they reach the stage of needing large amounts of capital.

e) Coordinating workshops with the Small Business Development Centers, the Community College of Allegheny County, and others.

f) Providing mentor opportunities for aspiring minority entrepreneurs in a successful entrepreneurial setting.

g) Creating a network for black entrepreneurs by acting as a source of information. Support activities will include publishing a newsletter, developing a black business directory, and reporting on the "State of Black Business Development".

h) Working closely with the existing local development corporations and serving as a source of technical assistance and capital for eligible projects.

i) Working with other community and economic development organizations like Community Development Corporations, the Southwestern Pennsylvania Development District, the Regional Industrial Development Corporation, and major corporations in the area to identify small businesses for acquisition.

j) Referring businesses to the incubators sponsored by the Community Development Corporation, such as the Homewood Brushton Revitalization and Development Corporation and the North Side Civic Development Corporation.

k) Developing and supporting a "Pittsburgh 8(a)" type program which would give well run minority owned firms a chance to expand their businesses.

l) Strengthening the existing minority contractor trade association or creating a new one.

The Results:

Between March, 1989 and March, 1991

- Provided service to more than 173 minority entrepreneurs
- Assisted 26 new business ventures and/or expansions
- 70 new jobs resulted from the 26 ventures
- $1.4 million was raised in debt financing
- $1.8 million raised in equity financing
- More than two hundred minority entrepreneuers attended four (4) franchise and/or start up educational seminars

The Appalachian Regional Commission's intention is to encourage a strong foundation of private support for these critical programs. It is highly questionable that the Minority Enterprise Corporation would have been created without the financial support of the Appalachian Regional Commission . We know that without this support, the quality of service and the number of clients served could not have been achieved. If America is to maintain its position of leadership through a strong domestic economy it must find a way to effectively utilize all of the human resources available to it. This can only be accomplished by continued federal funding of those organizations, like ARC, that support economic development efforts in areas, and for segments of the population needing special help.

The clients already being served by the Minority Enterprise Corporation here in Pittsburgh are those who aspire to become successful business owners and citizens of distinction. Let me tell you about just one of these clients -- Jocelyn Walker. Frustrated with the operational procedures and lack of opportunities within corporate America, she decided to become self employed. "In the corporate world, I realized I was an expendable person. I got tired of being passed over. I decided that if I could make money for them, I could make money for myself". She first came to the MEC with a business plan to open a restaurant, but could not secure the financing for this venture. "To open the type of restaurant I wanted, in the location I desired, I would have needed in excess of $300,000. At that point, I realized I had to build on my net self worth. One of the fastest ways to build it was acquiring a retail outlet, so I opened Simply Red Tag with the purpose of using it as a stepping stone to attain my ultimate goal". Simply Red Tag sells women's designer brand clothing, at discount prices ranging from 2 petite to 28 regular.

The strength of the American economy is dependent upon maintaining and supporting the entrepreneurial spirit within our population. It is an appropriate government function to insure that all elements of the population have access to the systems that support economic development through entrepreneurial activities. ARC through supporting this program from the federal level, has helped to insure that blacks and other minorities in the greater Pittsburgh area had access to a special support system that can help them start their own business.

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Pittsburgh, PA 15219
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EDUCATION

University of Pittsburgh
Masters in Business Administration

University of Massachusetts
Executive Development Program

Brown University
Graduate School of Savings Banking

CAREER EXPERIENCE

1990 to Present
The Minority Enterprise Corporation of Southwestern Pennsylvania
President

Developed the Minority Enterprise Corporation (MEC) as a IRS 501(c) 3 corporation. MEC is a successor corporation to the Minority Enterprise Partnership and is carrying on the activities of MEP. Raised $1,250,000 for three year operating budget, hired staff, established board, and relocated into new office space.

1988 to 1990
The Enterprise Corporation of Pittsburgh - Pittsburgh, Pennsylvania
Vice President, Minority Enterprise Partnership

Joined The Enterprise Corporation of Pittsburgh in November, 1988. Assumed responsibility for managing and establishing the Minority Enterprise Partnership (MEP). MEP is an organization dedicated to creating new and expanding existing minority owned businesses. During first year MEP established itself as a high quality service provider. MEP is currently exploring ways to expand the variety of services it can offer to minority entrepreneurs to include access to Venture Capital funds and a high risk loan fund.

1984 to 1988
City of Chicago - Chicago, Illinois
Commissioner of Aviation

The Chief Administrator - responsible for policies which include planning, operating, constructing, maintaining and regulating the airport staff of over 1,300 employees. Oversees an aggressive airport concession development program and the calculating of fees and rental rates which together generate over $250 million annually to meet Departmental operations, maintenance, and debt service costs. Represents the City/Department in legislative matters, as they relate to the airports and their role in the National Air Transportation System and maintains contact with officials in Federal, State and Local governments. Directs the implementation of the $2.0 billion dollar O'Hare Development Program to meet the region's aviation needs in the 21st Century.

Chicago-O'Hare International Airport - Chicago, Illinois
First Deputy Commissioner of Aviation

Overall responsibility for operation and maintenance of the City of Chicago's three airports, including Chicago-O'Hare International Airport. As the "World's" busiest airport, O'Hare handles 60 million passengers and 750,000 airport operations each year and operates on a $125 million budget, with a staff of over 1,100 skilled and unskilled employees.

Directed the multi-million dollar expansion and remodeling of existing terminals, spearheaded the negotiation of contracts for a 140 million people mover system, coordinated and developed new cargo facilities and improvements in airport roadway and public parking systems.

Developed new initiatives and final plans for airport snow and ice control programs which produced more timely clearance of snow and ice from the City's airports and more effective deployment of City and contract snow removal capabilities.

1981 to 1984
Independence Bank of Chicago - Chicago, Illinois
President and Chief Operating Officer

President and Chief Executive Officer of a Chicago based full service bank. Responsible for directing all business and finance activities which included internal accounting; converted general ledger system resulting in improved budgeting and accounting capabilities; reorganized staff along functional lines and introduced modern management techniques; designed and implemented mini-computer based systems to improve service and reports; directed design and construction of 4.3 million dollar new bank facility; and increased bank earnings from .5% of assets to .9% while absorbing significantly higher occupancy expense.

1980 to 1981
United States Department of Commerce - Washington, D.C.
Deputy Assistant Secretary

Reorganized staff and directed development of staff analysis and justification for new levels in Washington and field offices; established management reports to improve control over portfolio and more effectively measure results; testified before congressional committees and the Office of Management and Budget in support of the administration's economic development programs.

1963 to 1980
Dollar Savings Bank - Pittsburgh, Pennsylvania
Executive Vice President

President and Director of DOLCOMP (wholly owned subsidiary of Dollar Savings Bank)

Modernized banking systems and improved service while managing an increase in assets from $280,000,000 to $1,200,000,000; developed and directed innovative telephone bill payment system, nationally recognized as a very successful, efficient and profitable consumer banking service; directed the conversion to a real-time data processing system, teller terminal and data communication network.

CIVIC & PROFESSIONAL ACTIVITIES

Chicago United
Principal Co-Chairman of Sub-Committee for Banking & Economic Development

United Way of Allegheny County
Board Member

Program To Aid Citizens Enterprise (PACE)
Board Member
Former Chairman of Board

Allegheny Council Trails - Boy Scouts of America
Member Urban Scouting Committee

Allegheny County
Airport Area Development Advisory Committee
Airport Advisory Committee
MBE Advisory Committee

Urban League of Pittsburgh
Board Member
Treasurer of the Board

Carnegie Mellon University
Adjunct Professor

Brown University 1974-1977
Lecturer at the Graduate School of Savings Bank

TESTIMONY
ON
THE EFFECTIVENESS OF
ECONOMIC DEVELOPMENT PROGRAMS

PRESENTED TO
THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

By

George B. Howley, Executive Director
Community Development Corporation of Butler County

June 3, 1991

SUMMARY RECOMMENDATIONS

Infrastructure

Federal programs, affecting infrastructure significantly reduced since 1980, should not be reduced more. They should be increased. The Office of Management and Budget, in recent testimony to Congress, emphasized that state and local governments must be responsible for funding infrastructure that does not provide direct national benefits. Moreover, current federal policies favor new construction over maintenance or rehabilitation. Federal categorical or matching grants now channel state funds to new public works construction. The challenge facing this committee is structuring public programs to ensure that financing for development of new roads, bridges, and other systems does not drain resources away from needed invenstments in operation and maintenance of existing infrastructure.

The Committee must tie new public works construction funding to a long term program of maintenance and repair.

Training

Many economic development practitioners have never shaken the "CETA mindset" and do not realize that training program operators now are more sophisticated and flexible in their approaches, and are much less tied to the "semester" schedules that predominated in past training efforts.

Many types of training programs, particularly customized training, can be very expensive to develop and implement. Justifying the cash outlays can be difficult, even though they will mitigate unemployment and welfare payments, and result in taxable productivity and incomes. As a development official I urge you and ask you to press your colleagues for adequate training funds. Training programs more than repay their costs and too often are overlooked as valuable development assets. The funding leads for training programs must be increased.

THE MISSION OF THE ECONOMIC DEVELOPMENT ADMINISTRATION IS:

To assist in the long-range economic development of areas with severe unemployment and low family income problems, aid in developing public facilities and private enterprise to create new permanent jobs through grants, loans and technical assistance, provide financial and technical assistance for firms damaged by foreign imports.

This is an all encompassing statement as it should be for a nation as diverse as ours. As a practitioner of economic development activities on a daily basis, I can state that the two most important phases in the mission statement are "developing public facilities" and "technical assistance". Yes, we have programs that finance buildings, land, machinery and equipment and for the most part they work very well. But, there is a desperate need for additional funds. The phrase "developing public facilities" equates to infrastructure and the phrase "technical assistance" equates to training.

INFRASTRUCTURE FUNDING

Brief Summary

Infrastructure is the the key ingredient in the development process. It is the physical framework that supports nearly all economic activity in Pennsylvania. Without sewers, water systems, roads and other items local economic development acitivity and private investment will not occur. Public works facilities get people to their jobs each day, it helps distribute raw materials and finished goods, and provides access to commercial, service, and recreational activities. You may not remember the canal boom in the 1800s, but in our area it produced the Erie Canal. Ever since, this spending has shapped and promoted our nation's growth and that of Pennsylvania. Today, infrastructure spending remains a key incentive. In a 1987 survey of 322 municipalities conducted by the National League of Cities, 85 percent of the respondents cited infrastructure improvement as the key technique to encourage economic development.

Several studies have tried to measure the influence of physical capacity on the location and investment decisions of individual companies. The most comprehensive, a Census Bureau study of 2,000 firms conducted in the mid-1970s, found that the availability of public works facilities was either of "critical" or "significant" importance in location decisions.

Infrastructure

It is a well known fact that infrastructure spending contributes to community development and related social goals. It can reverse the problems of isolation for certain population groups or economic areas resulting from geographic barriers. Government studies have shown that infrastructure spending helps employment and produces economic expansion. The expanding economy increases tax revenues and can lead to activity in supportive serivces and materials.

Data produced by the Bureau of Labor Statistics (BLS) and several other sources, indicate that each on-site construction job generates an equal number of off-site jobs, and leads to nearly three times that number through corporate expenditures and wages. Assuming that the government studies are correct, then $1 billion spent on infrastructure construction would produce 13,000 on-site jobs, 13,000 off-site jobs, and 36,700 spin-off jobs for a total of nearly 63,000 jobs.

Current Conditions and Their Impact on Economic Development

Various studies have estimated the annual difference between needed investments and available revenues to perform the necessary system upgrades. These estimates vary considerably, ranging from $17.4 billion per year (Congressional Budget Office) to $24.6 billion (Joint Economic Committee) to $71.7 billion (Associated General Contractors of America).

It is sad that the discrepancies in these numbers and political budget activity have clouded rather than clarified the significant issues surrounding restoration and modernization of this nation's infrastructure. There is a need. But, what is that need and what is the economic translation of need? Defined, infrastructure needs are just a set of numbers put together by an engineer. Do the need numbers bear any relationship to the expected economic benefit that results from meeting the numbers? For example, the ratio of federal to state funding for highway, mass transit, and other projects influences the number and type of proposed state projects; these proposals often are taken as the measure of need for their existence. However, a 1985 Congressional Budget Office analysis estimated that reducing the federal match for secondary wastewater-treatment facilities from 75 percent of costs to 55 percent also would reduce the level of state needs by 30 percent.

In fact, while much of the federal policy debate concerns estimates of what is needed to "fix" the nation's physical systems, that infrastructure continues to wear out in bits and piece. Despite growth in total government expenditures for infrastructure, its physical condition continues to deteriorate in many areas. The costs of renovation or replacement have far outpaced the resources available to correct the situation.

Lack of, and/or deteriorating infrastructure can slow or ultimately end economic development activities. They present real problems that cities and states must correct as they seek to maintain their existing economic base and attract new investment. Governor Casey acknowledged this when he recently proposed a tax measure to help finance an infrastructure construction program. He noted that deteriorating infrastructure threatens jobs and economic growth. Many local municipalities face significant problems that demand creative solutions. Physical systems, some put into place decades ago, are nearing the end of their engineered lives, simply wearing out. Moreover, problems of aging become severe when the cumulative effects of insufficient maintenance and repair are added.

In a 1985 study, the Congressional Budget Office noted that the treatment and distribution components of many urban water systems are nearing breakdown. Water systems in some of the older cities of the Northeast in service for a century or more lose as much as 40 percent in leaks. Parts of the nation's inland waterway system, a critical transportation and commerce link, use locks that are more than 30 years past the generally accepted limit for safe and efficient operation. More than one-third of the interstate highways have been classified as "fair" or "poor", in need of resurfacing or rebuilding. The cost, in terms of both dollars and inconvenience to commerce and individuals, will be enormous.

These types of infrastructure problems are widespread. A study by the Joint Economic Committee of Congress documented some deficiencies in physical capacity now constraining economic growth in many areas.

- more than 250,000 of the nation's highway bridges are classified as deficient or obsolete by the Department of Transportation;
- poor conditions are the norm, not the exception, on the nation's primary and secondary roads, resulting in costly delays in commuting and movement of goods;
- one-fifth of the nation's subway cars are more than 25 years old, more than twice their intended life; and
- deteriorated rail facilities are causing accidents and frequent delays in freight shipments.

These difficulties are not confined to older cities with aging infrastructure. Growing younger cities with basic services near or at capacity face problems that are just as severe. A Department of Commerce survey of 6,870 communities reported that 46 percent of them could permit virtually no industrial expansion because of inadequate water and sewage system capacity. Another quarter of the nation's jurisdictions find their ability to attract new business and related development weakened because their roads, streets, and other necessary public facilities are worn out, obsolete, or already operating at capacity. The nation's level of international trade could even be affected.

Action

The public sector has, in large part, financed the nation's infrastructure. Construction costs for major road, sewer, transit, and other systems are borne by federal grant and loan programs, and long-term debt financing by state and local governments. These tried and true methods are encountering political and legal obstacles, and are less certain than ever before. Voters have rejected general obligation bonds secured by tax revenues in some states. Tax-exempt private-purpose bonds used for public-private infrastructure financing partnerships were curtailed significantly in the 1986 Tax Act. Every year Federal infrastructure programs face considerable pressure in the budget process.

State agencies perform much of the capital planning for infrastructure improvements. The primary state role is financing; the most difficult part is identifying funding methods that offer viable alternatives to those described above. In response to uncertain market demands and changing economic factors, state governments have found creative infrastructure projects with new nondebt resources such as public pension funds and sale and lease agreements with private-sector entities.

In addition to new financing techniques, states are devising larger-scale infrastructure development policies that, in essence, transfer construction and maintenance onto the primary beneficiaries or users of the facilities. Through development fees, privatization, special districts, and zoning negotiations, public officials are looking to the private sector to pick up part of the capital facilities costs necessary to allow development to take place. States are promoting several user-based financing mechanisms for local projects.

State efforts to finance and service adequate infrastructure facilities run into more roadblocks than almost any other economic development effort. State and local governments rely heavily on tax-exempt financing for these purposes. The volume of tax-exempt debt they issued for all purposes increased from approximately $30 billion in 1975 to nearly $120 billion in 1984. Yet the 1986 Tax Act constrained this type of financing tool by denying tax-exemption for infrastructure activities such as sewer and water pollution control facilities and most parking structures. The statute also contains new business-use and security-interest tests that inhibit the use of bonds to fund other types of activities. According to the Public Securities Association, in 1987 (the first year the tax act provisions were in place) the volume of bonds issued for mass-transit uses declined nearly 68 percent from 1986 amounts, bonds for water and sewer projects by 37 percent, and bonds for roads, tunnels, and bridges by 60 percent. Furthermore, administrative and procedural requirements imposed by the legislation have raised the cost of bond financing, further discouraging private investment in public-sector activities.

Pennsylvania and its local governments have been forced to reduce the size and scope of some planned facilities and abandon other projects altogether. Still others have had to turn to more costly taxable bonds or increase taxes and user fees.

Local governments face nonfinancial difficulties. Infrastructure planning policies and procedures are inadequate or misleading in many places. Some areas lack a single capital budget that includes all types of these investments; capital budget expenditures often are not subject to performance evaluations or required to meet tests of utility or need. On a project basis, accurate projections of future maintenance availability for operations and maintenance may be understated or ignored, sometimes I believe deliberately, to make an easier "sell" of large capital projects to the taxpayers or state and city officials.

Federal programs, affecting infrastructure significantly reduced since 1980, should not be reduced more. They should be increased. The Office of Management and Budget, in recent testimony to Congress, emphasized that state and local governments must be responsible for funding infrastructure that does not provide direct national benefits. Moreover, current federal policies favor new construction over maintenance or rehabilitation. Federal categorical or

matching grants now channel state funds to new public works construction. The challenge facing this committee is structuring public programs to ensure that financing for development of new roads, bridges, and other systems does not drain resources away from needed investments in operation and maintenance of existing infrastructure.

The Committee must tie new public works construction funding to a long-term program of maintenance and repair.

Job Training Funds

The labor force is one of the most important factors in keeping this nation's businesses and industries competitive and productive. In our diverse economy different types of companies need different types of employees. It has been my experience that technology-based firms generally want a large pool of well-trained technical and professional staff to choose from in their employment area. Traditional manufacturing firms, on the other hand, require a range of employees from low-skilled workers to highly skilled technicians and managers. Service industries may demand staffs with expertise in specific fields. Accordingly, the presence of an appropriately skilled work force becomes a key consideration for business owners or investors starting a new enterprise or expanding an existing one whether it is here in Pennsylvania, another state or another country.

If we are to be competitive, training programs have to occupy an increasingly important place in economic development strategies. Economic development officials in positions similar to mine have recognized job preparation and basic skills as key components of the business attraction, expansion, and generation processes. Traditionally, local officials encouraged private investment by reducing land costs, offering financial incentives, and preparing sites, paying less attention to labor recruitment and training costs. These factors, however, are becoming even more important in business decisions.

Technology and literacy requirements are changing with the transformation of state and local economies. Both the public and private sectors now must respond to new, often unexpected, and substantially different demands for job skills and related human services necessary to obtain them. While the change in public and private roles in job-creation and investment has complicated economic development strategy-making, it also has created new opportunities to tie development and job opportunities together.

Training Programs for Economic Development

Training is, without a doubt, one of the most important elements in any economic development strategy, either as part of an incentive package, or as a business attraction-retention tool. Various types of training have helped major corporations, small businesses, new firms in traditional industries, service companies, and high-technology enterprises.

Retraining and job-placement programs are important in areas where the economic base has deteriorated. They help workers laid off from declining industries make the transition to jobs in other sectors. At the same time they help attract replacement businesses.

More specialized programs, like customized-job-training (CJT) and on-th-job training (OJT), have been successful for individual companies and for entire industries. In addition to cities and counties, universities and community colleges, neighborhood organizations, and other institutions have participated in these programs.

The existence of training services can be a pivotal incentive for prospective or expanding employers. This is especially true in attracting smaller or new firms-a key objective in most communities. The effectiveness of a training program lies in its versatility. All types of workers, from computer technicians in Minnesota to robot operators in Michigan, have gone through state-sponsored training programs. The most successful programs result from development and training practitioners working with a private company to produce results tailored to specific needs.

Status

Pennsylvania and other states use training programs in several ways to promote economic growth, often including them with other development incentives in a comprehensive package. Training incentives particularly well suited for packaging include:

- recruitment and referral;
- customized job training (CJT)
- on-the-job training (OJT)
- entrepreneurial training.

In the first case, employment and training agencies work with economic development staff to define skills already available in the area's labor force, identify firms needing these skills, and "sell" them the appropriate training and work-force preparation options. Recruitment, assessment, testing, and referral services for persons meeting company requirements usually are provided free of charge.

Customized training programs are tailored to the specific skills and job needs of a company, and are implemented in four phases. First, the company defines its work force needs, and documents the skills necessary to fill them. Next, a training program is devised to teach those skills, and a person or institution together, which may be offered at no charge to the participating company. Many states also underwrite the cost of designing special curriculum at a local college or training institution. Some reimburse expenses to a firm that conducts its own training, including that offered at the work site by the company's staff. Third, "students" are selected to learn the necessary skills. Finally, trainees successfully completing the customized training program are hired by the firm.

On-th-job training programs involve more "hands-on" activity in the company, which itself provides the training to persons it selects. The "public" role in OJT is to reimburse the company for part (usually half) of the employees' wages while they are training. OJT programs are popular with small industrial and service companies. They offer the same design and content flexibility as customized training programs, but are better suited for firms needing only a few new employees.

Entrepreneurial training and technical assistance for persons launching their own enterprises are increasingly popular, especially in areas trying to develop jobs and economic opportunities through small-business formations. For example, efforts by the Armstrong, Butler, and Indiana Counties' Private Industry Council, of which I am a Board member, are directed at dislocated manufacturing workers with virtually no chance of resuming their former occupations. This activity should be expanded by the Federal Government. For example, entrepreneurship-training programs should provide classroom instruction in basic business skills. This can include internships with existing businesses to ease the transition to self-employment. Using existing educational systems, that is the Pennsylvania State University system, an emphasis ~~on~~ small business management techniques, such as inventory control or accounting, and make the development of a usable business plan the focal point of their curriculum. This was done at Slippery Rock University very successfully but was discontinued because of funding cuts. Under a program run by the local Private Industry Council, trainees could be introduced to marketing research, financial projections, advertising, and other elements related to their business plan developed with the help of the academic community.

Benefits

Providing training resources at low cost (or free) can result in considerable cash savings for a company. A small operation with a few jobs to fill, for example, could save several hundred dollars on recruitment and assessment costs and $1,000 or more on supplementary classroom training. It could save as much as $10,000 on the costs of equipment and instruction for a training program tailored to the company's needs, and many thousands of dollars in wages in an OJT program.

These programs can be of tremendous help to small firms grappling with start-up cash flow difficulties and capitalization problems. They can be a critical element in making a project balance sheet "work", and thus a key part of the economic development package. Although development practitioners in my profession have traditionally paid less attention to minimizing or offsetting training costs, business owners and entrepreneurs have to consider them as they decide whether or not to begin an operation and where to place it. Given that the skill requirements of jobs are changing quickly as technology advances, a properly structured, flexible training program can do much to enhance an area's investment potential.

Results

Training programs can work effectively for existing firms and for newly located or start-up companies. Cash savings on training can encourage additional job creation, which owners might not otherwise contemplate when planning for or actually enlarging their operations. JT or OJT can encourage expansions in all types of companies, even those in industries not experiencing recent growth.

Training incentives that attract new private investment also can retain existing businesses by helping adapt the existing work force to changing job demands of new technology. Retraining and job placement activities are ideal for these purposes.

Retraining assistance can help existing workers keep jobs in plants undergoing modernization or businesses in reorganization. States can offer customized or OJT training to firms that contemplate leaving an area to expand or add new product or service lines. This would help upgrade employee skills needed for a retooled production process. These incentives can result in important savings to the company, offsetting some of the costs of facility modernization.

Job placement and recruiting functions often ensure that spin-off or ancillary jobs important to the primary company are identified and filled with adequately skilled and trained staff. For instance, a modernized plant might have new clerical positions for persons who could operate automated billing or office production equipment. A new class of technical maintenance positions might also be created.

In most states, training programs have not approached their potential usefulness because public development agencies simply are not aware of how effective they can be, their appeal to private business operators, or what they can bring to an overall economic development incentive package. Business development specialists often do not reach out to their counterparts in employment and training agencies when assembling incentive packages for business and industry; thus, lack of information may cause the loss of important opportunities.

Many economic development practitioners have never shaken the "CETA mindset" and do not realize that training program operators now are more sophisticated and flexible in their approaches, and are much less tied to the "semester" schedules that predominated in past training efforts.

Many types of training programs, particularly customized training, can be very expensive to develop and implement. Justifying the cash outlays can be difficult, even though they will mitigate unemployment and welfare payments, and result in taxable productivity and incomes. As a development official I urge you and ask you to press your colleagues for adequate training funds. Training programs more than repay their costs and too often are overlooked as valuable development assets. The funding leads for training programs must be increased.

The population of the City of Meadville is approximately 15,000 with the greater Meadville area representing around 28,000. Starting in the mid 70's, massive plant and employment centers were shut down--Conrail with over 900 employees; Talon--3000; Avtex--1600; and Rusco--300. The railroad diminished to about one dozen employees, Talon to 380, Avtex closed entirely, and Rusco went into bankruptcy.

Our salvation since that period has been the EDA/ARC projects. Without the ARC/EDA funds we would not be able to tell you that anything has been accomplished in the last 15 years. Instead, because of EDA/ARC funding the Baldwin Street Industrial Park was built in 1979. Today, there are 9 companies in operation at this Park with over 250 people employed and well over $10,000,000 dollars in private investment made.

The Meadville Industrial Condominium (the former Talon plant) was also the recepient of a $500,000 dollar EDA grant enabling us to convert an empty, vacant building to a 25 tenant facility employing over 500 people with an annual payroll of approximately $8,000,000 dollars.

We, also, purchased the Conrail Maintenance-of-Way Shops and used ARC funds to renovate the vacant buildings and to construct an access road to the Industrial Park that was built there. This Park has been the springboard for many start up industries. Some were there on a temporary basis until new buildings were built. Others located there for a short time during the oil and gas boom in the early 80's. Today, located in that Park are a foundry, warehousing, an 84 Lumber Company, and the Erie Bearing Company.

Like most old cities, Meadville's central downtown core was deteriorated and blighted with dilapidated storefronts, broken sidewalks and curbs, and many years of overhead electrical wiring buildup. With the help of an ARC grant of $350,000 dollars, we now have a vigorous downtown in which everyone takes pride.

When Avtex closed, we, again, received assistance from ARC/EDA for the development of the Crawford County Industrial Park. The County floated a $900,000 dollar bond issue to be used for the purchase of the Avtex facility and for the initial operation funds to begin the development of a 1.4 million square feet industrial complex. This Park has its own 12 million gallon per day water system compared to the 4.5 million gallon per day system which is operated by the City of Meadville and a 12 million gallon per day sewage disposal system compared to a City system of 5.5 million gallon per day. Our sewage plant is being considered for conversion to a regional complex for both the City of Meadville and 2 townships. Five hundred thousand square feet of space is now occupied or committed for rental. Two hundred fifty jobs are in place, with a Fall projection of 350 to 400 jobs and an annual payroll of over $6,000,000 dollars. This was accomplished in 2½ years with funding from ARC and EDA in the amount of $1.2 million dollars.

Gentlemen, ten years ago our unemployment rate was 22%. Although it is, currently, 11%, up until a few months ago, it was as low as 5%. The point I am trying to make is that, without these funds, where would the Meadville community be? We are on the road to recovery, but our full recovery will not be possible without the continued assistance of ARC and EDA.

Victor C. Leap, Executive Director
Redevelopment Authority of the City of Meadville
Meadville Area Industrial Commission
6/3/91

BV
BEAVER VALLEY INTERMEDIATE UNIT
225 Center Grange Road
Aliquippa, Pennsylvania 15001-1497
Phone (412) 774-7800

Office of the Executive Director

TO: MEMBERS OF THE HOUSE SUB COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

FROM: Dr. Francis W. Matika, Executive Director.

DATE: June 3, 1991

RE: CROWS RUN HIGHWAY PROJECT PUBLIC HEARING
GENEVA COLLEGE, BEAVER FALLS, PA

Congressman Kolter, Chairman, Sub Committee on Public Works and Transportation and members of the Committee.

I am Dr. Francis W. Matika, Executive Director, Beaver Valley Intermediate Unit. I appreciate the opportunity to present testimony at this hearing on behalf of the aforementioned Unit which is comprised of the fifteen (15) local school districts representing more than 33,000 students.

First, I would like to take this opportunity to compliment this Committee for the genuine interest you have shown in behalf of the residents of Beaver County and Pennsylvania through your attendance at this hearing.

Your presence here today indicates that we do have legislators who are dedicated and sincerely interested in hearing comments from business, the professions and education in this Commonwealth relative to public works and transportation projects that will have an impact on the Beaver Valley communities.

The proposed Crows Run Highway Project is one highway system that will have an immediate effect on the residents of this area, not only from an educational standpoint, but economically and the labor employment impact and its importance to the major interstate highway as in this section of the state. In addition, it will be a vital connecting link to the new Mid-Field Terminal at the Greater Pittsburgh Airport due to open in October 1992, via the Beaver Valley Expressway or Toll 60 highway. Historically, new highways have provided the surrounding communities with tremendous impact on the commercial and industrial activity and growth, increase in the tax base, and the population factors. This population growth factor will have a tremendous impact on the educational system of the school districts in Beaver County; necessitating the planning and construction of new school buildings and the growth of educational offerings to the young residents of the area.

The new highway, and I do hope and I am confident it will become a reality, will have positive benefits in this area which has seen some tough times as a result of the decline of the steel industry in this industrial area stretching from Pittsburgh to Youngstown, Ohio. Highway projects such as this one will contribute to minimizing the economic recession we are currently experiencing in the area southwest of Pittsburgh and will spur growth which will in turn return this area to the stature that it has historically enjoyed.

The Commonwealth Turnpike Commission has released information recently that indicates $1.5 billion will be allocated for the planning and construction of projects for new toll roads underway in this Commonwealth. Among these are three Western Pennsylvanian projects: 16 miles of the Beaver Valley Expressway connecting Beaver Falls with New Castle; the 13 mile Amos Hutchinson Bypass near Greensburg; and the 60 mile Mon Valley Expressway. As a result of this planning, and if I may include the Crows Run Project, this area will have direct access to the Airport from Ohio, New York and other northeastern states along Interstate 80 and the Pennsylvania Turnpike.

In conclusion, we would urge members of this committee to consider not only the financial and the labor market impact, but the educational needs. If this project gets off the planning board, the favorable effects would have a positive ripple effect not only on Beaver County, but the surrounding regions and states as well.

In behalf of the Beaver Valley Intermediate Unit, I want to thank you for your courtesy and forbearance in hearing this testimony. You are to be commended for the courtesy, patience, and genuine interest that has been evidenced at this hearing.

Your perseverance indicates that we do have legislators who are sincerely interested in the welfare of education and business in this Commonwealth.

Please accept my personal word of appreciate for the reception you have accorded me. Thank you.

STATEMENT OF

WILLIAM W. MILLAR

EXECUTIVE DIRECTOR

PORT AUTHORITY OF ALLEGHENY COUNTY

ON

TRANSPORTATION AND INFRASTRUCTURE NEEDS

SUBMITTED TO

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

OF THE

PUBLIC WORKS AND TRANSPORTATION COMMITTEE

U.S. HOUSE OF REPRESENTATIVES

HONORABLE JOSEPH KOLTER, CHAIRMAN

JUNE 3, 1991

GOOD AFTERNOON CHAIRMAN KOLTER AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT. MY NAME IS WILLIAM W. MILLAR. I AM THE EXECUTIVE DIRECTOR OF PORT AUTHORITY OF ALLEGHENY COUNTY WHICH IS THE PRINCIPAL PUBLIC TRANSIT OPERATOR IN THE PITTSBURGH URBANIZED AREA. I AM GRATEFUL FOR THE OPPORTUNITY TO BE WITH YOU TODAY TO DISCUSS THE IMPORTANCE OF INVESTING IN OUR INFRASTRUCTURE AND PARTICULARLY IN PUBLIC TRANSPORTATION.

LET ME ONCE AGAIN CONGRATULATE YOU, CONGRESSMAN KOLTER, ON YOUR APPOINTMENT THIS YEAR TO CHAIR THIS IMPORTANT SUBCOMMITTEE. TRANSPORTATION INVESTMENTS ARE CRITICAL TO THE ECONOMIC REVITALIZATION OF SOUTHWESTERN PENNSYLVANIA. THIS YEAR, AS THE PUBLIC WORKS AND TRANSPORTATION COMMITTEE CONSIDERS THE COURSE OF TRANSPORTATION POLICY FOR THE 1990S, THERE IS MUCH AT STAKE FOR THE PEOPLE AND COMMUNITIES OF THIS REGION.

I AM PARTICULARLY GRATEFUL TO THE PUBLIC WORKS AND TRANSPORTATION COMMITTEE FOR ITS STRONG ADVOCACY OF PUBLIC TRANSPORTATION OVER THE YEARS AND PLEDGE TO WORK WITH YOU AS CONGRESS CONSIDERS LEGISLATION REAUTHORIZING FEDERAL HIGHWAY AND TRANSIT PROGRAMS DURING THE SUMMER MONTHS. I ALSO NOTE WITH INTEREST THE "VIEWS AND ESTIMATES" LETTER WHICH THE PUBLIC WORKS COMMITTEE SUBMITTED TO THE APPROPRIATIONS COMMITTEE. THIS LETTER CITED A $6.7 BILLION FEDERAL INVESTMENT NEED IN FISCAL YEAR 1992 WITH CONTINUED GROWTH IN FUTURE YEARS. SUCH BOLD, AMBITIOUS THINKING WILL BE NECESSARY TO ACCOMPLISH WHAT IS NEEDED IN THIS CRITICAL YEAR.

PORT AUTHORITY TRANSIT--OR PAT--PLAYS A CRITICAL ROLE IN THE ECONOMIC DEVELOPMENT AND VITALITY OF SOUTHWESTERN PENNSYLVANIA. EACH DAY, PAT SERVES APPROXIMATELY 300,000 CUSTOMERS THROUGH A VARIETY OF TRANSIT SERVICES

INCLUDING BUS, LIGHT RAIL, INCLINE AND THE ACCESS PARATRANSIT PROGRAM FOR ELDERLY AND DISABLED PERSONS. PORT AUTHORITY OPERATES 900 BUSES OVER A 730 SQUARE MILE AREA THROUGHOUT ALLEGHENY COUNTY AND INTO PORTIONS OF FOUR NEIGHBORING COUNTIES—BEAVER, WASHINGTON, WESTMORELAND AND ARMSTRONG. PAT ALSO OPERATES 71 LIGHT RAIL VEHICLES AND TROLLEYS, OWNS BOTH THE MONONGAHELA AND DUQUESNE INCLINES, CONTRACTS THROUGH AN INDEPENDENT BROKER THE SERVICES OF 13 PRIVATE CARRIERS FOR THE ACCESS PROGRAM, AND REGULATES A VARIETY OF OTHER TRANSPORTATION SERVICES THROUGHOUT THE AREA.

PEOPLE USE PORT AUTHORITY SERVICES FOR TWO PRIMARY REASONS: TO EARN MONEY OR TO SPEND MONEY. APPROXIMATELY 60 PERCENT OF THE PEOPLE WHO WORK IN DOWNTOWN PITTSBURGH COMMUTE BY TRANSIT AND APPROXIMATELY 50 PERCENT OF DOWNTOWN PITTSBURGH SHOPPERS TRAVEL BY TRANSIT. BUT MANY INDIVIDUALS RIDE PUBLIC TRANSIT FOR OTHER REASONS: TO TRAVEL TO SCHOOL, TO CHURCH, TO GO TO THE BALLGAME, TO THE DOCTOR'S OFFICE OR JUST TO VISIT FRIENDS.

DIRECTLY AND INDIRECTLY, PAT AFFECTS THE LIVES OF EVERY LOCAL RESIDENT WHETHER IT BE BY PROVIDING MOBILITY, BY HELPING TO REDUCE AIR POLLUTION, BY CONSERVING ENERGY, BY REDUCING THIS NATION'S DANGEROUS DEPENDENCE ON FOREIGN OIL, BY REDUCING TRAFFIC CONGESTION, BY LOWERING HIGHWAY MAINTENANCE COSTS, BY MINIMIZING THE NEED FOR NEW ROADS AND HIGHWAYS OR BY STIMULATING ECONOMIC DEVELOPMENT.

PAT IS ESSENTIAL TO THE HEALTH AND ECONOMIC WELL BEING OF SOUTHWESTERN PENNSYLVANIA. IT IS AN IMPORTANT PART OF THE COMMUNITY AND PLAYS A VITAL ROLE IN ITS DEVELOPMENT. THE CHALLENGE TO PROVIDE EFFICIENT PUBLIC TRANSIT SERVICES, HOWEVER, IS BECOMING INCREASINGLY DIFFICULT.

SOUTHWESTERN PENNSYLVANIA HAS CHANGED DRAMATICALLY OVER THE PAST 20 YEARS. GONE ARE MOST OF THE STEEL MILLS AND WITH THEM MOST OF THE STEEL-RELATED JOBS. AND AS JOBS AND JOB OPPORTUNITIES LEFT PITTSBURGH AND OTHER SOUTHWESTERN PENNSYLVANIA INDUSTRIAL-BASED TOWNS, SO DID A LARGE PORTION OF ITS WORK FORCE.

SINCE 1970, ALLEGHENY COUNTY'S POPULATION HAS DECLINED BY MORE THAN 250,000 PEOPLE, MUCH OF WHICH HAS COME FROM THE CITY OF PITTSBURGH--DOWN MORE THAN 150,000 PEOPLE OR ABOUT 29 PERCENT OF ITS TOTAL POPULATION. BEAVER COUNTY POPULATION HAS DROPPED BY APPROXIMATELY 22,000 OVER THAT TIME PERIOD INCLUDING MORE THAN 18,000 IN THE PAST DECADE. IRONICALLY, AS THE POPULATION DECREASED, THE NUMBER OF CARS AND TRUCKS ON OUR ROADS HAS INCREASED. FOR EXAMPLE, IN ALLEGHENY COUNTY, VEHICLE REGISTRATIONS HAVE GROWN BY 90,000 OVER THE PAST TWO DECADES.

CERTAINLY, THIS LOVE AFFAIR WITH THE AUTO, AND PARTICULARLY THE SINGLE-OCCUPANT AUTO, IS NOT UNIQUE TO SOUTHWESTERN PENNSYLVANIA. SINCE 1960, THE NUMBER OF CARS AND TRUCKS IN THIS COUNTRY HAVE MORE THAN DOUBLED. THIS ALARMING GROWTH RATE HAS INCREASED AT A RATE OF ABOUT FOUR TIMES FASTER THAN THE POPULATION AND ABOUT 10 TIMES FASTER THAN OUR WILLINGNESS TO BUILD NEW ROADS. AND THE FORECAST IS FOR THIS TREND TO CONTINUE. VEHICLE MILES TRAVELED ARE INCREASING AT A NATIONAL RATE OF ABOUT THREE PERCENT ANNUALLY, AND ABOUT TWICE AS FAST IN MANY OF OUR LARGER CITIES.

YOU CAN SEE THE RESULTS OF THAT GROWTH RATE EVERYDAY ON OUR PARKWAYS AND OTHER MAJOR ARTERIES. ABOUT 112,000 VEHICLES PASS THROUGH THE FORT PITT TUNNELS EVERYDAY. EACH RUSH HOUR PERIOD NOW LASTS MORE THAN THREE HOURS WITH

AN AVERAGE BACK-UP OF ALMOST TWO MILES. ON THE PARKWAY EAST, IT TAKES MOTORISTS ALMOST 30 MINUTES TO TRAVEL FOUR MILES TO THE SQUIRREL HILL TUNNELS IN THE PEAK PERIODS.

THESE TRAVEL DELAYS ARE COSTING US MUCH MORE THAN OUR PATIENCE. THEY ARE COSTING US MONEY. IT HAS BEEN ESTIMATED THAT TRAVEL DELAYS IN THE NATION'S LARGEST URBANIZED AREAS NOW CAUSE APPROXIMATELY TWO BILLION HOURS OF TIME TO BE LOST ANNUALLY. AND IT IS NOT JUST A WASTE OF HUMAN RESOURCES. OUR MATERIALS AND GOODS ARE ALSO SITTING IN TRAFFIC RATHER THAN BEING EFFICIENTLY SHIPPED TO WAITING MARKETS OR FACTORIES WHERE THEY CAN BE PUT INTO PRODUCTION. ALL OF THIS REDUCES OUR PRODUCTIVITY AND WEAKENS OUR ABILITY TO COMPETE IN GLOBAL MARKETS. IF WE ARE TO REVERSE THIS TREND, THEN WE MUST INVEST IN OUR TRANSPORTATION INFRASTRUCTURE—SOMETHING WE HAVE CHOSEN NOT TO DO.

SINCE THE MID 1960S, FEDERAL INVESTMENT IN TRANSPORTATION, AS A PERCENTAGE OF GNP, HAS BEEN CUT IN HALF. ADJUSTED FOR INFLATION, FEDERAL SPENDING ON PUBLIC TRANSIT HAS DECLINED BY ONE HALF IN JUST THE LAST TEN YEARS.

AMERICANS NOW ARE WITNESSING AND EXPERIENCING THE CONSEQUENCES OF THIS DECLINING INVESTMENT IN THE FORM OF DETERIORATION AND COLLAPSE OF FACILITIES, MOUNTING SAFETY PROBLEMS AND DECLINES IN PRODUCTIVITY. OUR FAILURE TO MEET THE EVER-INCREASING COSTS OF RESTORING BASIC TRANSPORTATION FACILITIES AND PROVIDING NEW CAPACITY CAN ONLY LEAD TO GREATLY INCREASED COSTS AS WE HEAD TOWARD THE 21ST CENTURY.

RECENT STUDIES HAVE SHOWN THAT INCREASED INFRASTRUCTURE INVESTMENT IS ESSENTIAL AND HIGH QUALITY PUBLIC SERVICES AND FACILITIES ARE AN ABSOLUTE NECESSITY FOR ECONOMIC GROWTH AND INCREASED PRODUCTIVITY.

DAVID ASCHAUER, AN ECONOMIST FORMERLY WITH THE FEDERAL RESERVE BANK OF CHICAGO, WROTE IN THE WALL STREET JOURNAL RECENTLY: "PRIVATE SECTOR PRODUCTION OF GOODS AND SERVICES DEPENDS CRUCIALLY UPON AN ADEQUATE AND WELL-MAINTAINED STOCK OF PUBLIC SECTOR CAPITAL: A PUBLIC INFRASTRUCTURE OF ROADS, BRIDGES, MASS TRANSIT, WATER AND SEWER SYSTEMS AND SIMILAR FACILITIES. IF PUBLIC SECTOR CAPITAL ACCUMULATION FAILS TO KEEP PACE WITH PRIVATE SECTOR CAPITAL ACCUMULATION, IT CAN BE EXPECTED THAT

1) THE RATE OF RETURN TO PRIVATE CAPITAL WILL SUFFER;
2) PRIVATE INVESTMENT WILL BE DEPRESSED; AND
3) PRIVATE SECTOR PRODUCTIVITY GROWTH WILL STAGNATE."

IN THE 1970S AND 1980S, CAPITAL INVESTMENTS WERE MADE IN PUBLIC TRANSIT IN ALLEGHENY COUNTY. IN 1977, PAT OPENED THE NATION'S FIRST ROADWAY RESERVED EXCLUSIVELY FOR BUSES--THE 4.3-MILE SOUTH BUSWAY. BYPASSING THE CONGESTED LIBERTY TUNNELS, THIS TWO-LANE ROADWAY BECAME AN IMMEDIATE SUCCESS WITH BUS RIDERSHIP SURPASSING 20,000 DAILY RIDERS.

IN 1983, PAT OPENED THE 6.8-MILE MARTIN LUTHER KING, JR. EAST BUSWAY FROM DOWNTOWN PITTSBURGH TO WILKINSBURG. LOCATED WITHIN A NARROW RAILROAD CORRIDOR THROUGH DENSELY POPULATED NEIGHBORHOODS, RIDERSHIP ON THE BUSWAY HAS GROWN STEADILY TO MORE THAN 30,000 RIDES DAILY.

A SIMILAR STORY HAS UNFOLDED AS A RESULT OF PAT'S STAGE I LIGHT RAIL TRANSIT (LRT) SYSTEM—THE COMPLETE RECONSTRUCTION OF APPROXIMATELY HALF (10.5 MILES) OF PAT'S STREETCAR LINES. PRIOR TO RECONSTRUCTION, ABOUT 22,000 RIDES WERE TAKEN DAILY ON PAT TROLLEYS. SINCE THEN, TOTAL LIGHT RAIL RIDERSHIP HAS INCREASED BY 55 PERCENT TO MORE THAN 34,000 DAILY RIDES.

OTHER TRANSIT INVESTMENTS ARE GENERATING SIMILAR RESULTS. BUS RIDERSHIP ON TWO HIGH OCCUPANCY VEHICLE (HOV) LANES ALONG I-279 BETWEEN DOWNTOWN PITTSBURGH AND ROSS TOWNSHIP IS UP NEARLY 50 PERCENT FROM WHEN THE LANES WERE FIRST OPENED IN 1989.

CLEARLY WHERE THE INVESTMENT HAS BEEN MADE, WHERE RIDERS CAN EXPECT A FAST, COMFORTABLE AND COST-EFFECTIVE RIDE, STRONG TRANSIT USAGE WILL RESULT. THESE TRANSIT FACILITIES AND OTHER IMPROVEMENTS HAVE HELPED PAT MAINTAIN A SOLID RIDERSHIP BASE. DESPITE THE POPULATION DECLINE, PER CAPITA TRANSIT RIDERSHIP IN ALLEGHENY COUNTY IS HIGHER TODAY THAN IT WAS 20 YEARS AGO.

THE INVESTMENT IN PUBLIC TRANSIT HAS ALSO PAID OFF IN STIMULATING ECONOMIC DEVELOPMENT. ALONG THE MARTIN LUTHER KING, JR. EAST BUSWAY, NEW COMMERCIAL AND RESIDENTIAL DEVELOPMENT IS EVIDENT IN COMMUNITIES SUCH AS SHADYSIDE, EAST LIBERTY AND HOMEWOOD. IT IS ALSO EVIDENT ALONG THE STAGE I LIGHT RAIL SYSTEM—THE "T"—PARTICULARLY IN DOWNTOWN PITTSBURGH WHERE SEVEN OF TEN NEW OFFICE BUILDINGS OR RENOVATIONS HAVE OCCURRED OVER THE PAST DECADE ON SITES LOCATED DIRECTLY ABOVE, ADJACENT TO OR NEAR ONE OF PAT'S FOUR DOWNTOWN LIGHT RAIL STATIONS.

THE AMERICAN PUBLIC TRANSIT ASSOCIATION (APTA) HAS DETERMINED THAT EVERY $10 MILLION INVESTED IN CAPITAL TRANSIT PROJECTS GENERATES $33 MILLION IN BUSINESS REVENUES AND SUPPORTS 770 FULL-TIME JOBS. ACCORDINGLY, THE MARTIN LUTHER KING, JR. EAST BUSWAY AND THE STAGE I LRT PROJECTS HAVE GENERATED MORE THAN $2 BILLION IN BUSINESS REVENUES AND SUPPORTED MORE THAN 50,000 JOBS.

AN INDEPENDENT STUDY JUST COMPLETED ON THE ECONOMIC IMPACTS OF THE SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA) ON THE REGIONAL AND STATE ECONOMY CONCLUDED THAT, IF PROPERLY FUNDED, EVERY $1 INVESTED IN SEPTA RETURNS $9 TO THE COMMUNITY. FUNDED BY THE URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA), THE STUDY WAS PREPARED FOR THE DELAWARE VALLEY REGIONAL PLANNING COMMISSION BY THE URBAN INSTITUTE AND CAMBRIDGE SYSTEMATICS, INC., WITH ASSISTANCE BY THE PENNSYLVANIA ECONOMY LEAGUE. THE REPORT WAS CONDUCTED TO EVALUATE WHETHER TRANSIT REHABILITATION PROGRAMS PAY OFF AS INVESTMENTS WITH A RATE OF RETURN THAT JUSTIFIES THE EXPENDITURES BY STATE AND LOCAL GOVERNMENTS. THE CONCLUSIONS WERE A RESOUNDING YES!

THE FINDINGS OF THIS STUDY ARE ALL THE MORE REASON WHY WE MUST INVEST IN OUR TRANSPORTATION SYSTEM, AND PARTICULARLY IN PUBLIC TRANSIT. PORT AUTHORITY CURRENTLY HAS IN VARIOUS PLANNING STAGES FOUR MAJOR CAPITAL PROJECTS. THEY INCLUDE EXTENSIONS OF THE DOWNTOWN SUBWAY TO THE NORTH SIDE AND TO OAKLAND AND SQUIRREL HILL (SPINE LINE); THE REHABILITATION OF THE REMAINING 12 MILES OF AGING TROLLEY LINES (STAGE II LRT); AN EXTENSION OF THE MARTIN LUTHER KING, JR. EAST BUSWAY TO THE SWISSVALE/RANKIN BORDER AND POSSIBLY INTO THE MON AND/OR TURTLE CREEK VALLEYS; AND CONSTRUCTION OF A NEW BUSWAY FROM DOWNTOWN PITTSBURGH ULTIMATELY TO THE NEW GREATER PITTSBURGH INTERNATIONAL AIRPORT (AIRPORT BUSWAY).

THE FIRST PHASE OF THE AIRPORT BUSWAY WOULD LINK DOWNTOWN PITTSBURGH WITH THE BOROUGH OF CARNEGIE, PROVIDING A QUICK AND EFFICIENT BYPASS AROUND THE FORT PITT BRIDGE AND GREENTREE HILL FOR PORT AUTHORITY, THE BEAVER COUNTY TRANSIT AUTHORITY AND OTHER PRIVATE BUS OPERATORS. IT WOULD COST APPROXIMATELY $140 MILLION TO CONSTRUCT.

EACH OF THESE PROJECTS IS ESTIMATED TO ATTRACT CONSIDERABLE NEW RIDERSHIP. BY DOING SO, THEY WILL RELIEVE AREA CONGESTION, HELP CONSERVE ENERGY, REDUCE AIR POLLUTION, CREATE JOBS AND PROVIDE IMPORTANT ACCESS TO JOB OPPORTUNITIES, ACCOMMODATE PLANNED DEVELOPMENT AND STIMULATE NEW DEVELOPMENT.

AN INVESTMENT IN PUBLIC TRANSIT AND IN OUR TOTAL TRANSPORTATION SYSTEM IS AN INVESTMENT WORTH MAKING. PUBLIC TRANSIT AND HIGHWAY INTERESTS SHARE A COMMON GROUND AND MUST WORK TOGETHER TO SERVE AMERICA'S FUTURE MOBILITY NEEDS. THE OPPORTUNITY TO DO SO IS BEFORE US.

AT THE STATE LEVEL, LEGISLATION WAS RECENTLY INTRODUCED THAT COULD RESULT IN SUBSTANTIAL NEW MONEY FOR PUBLIC TRANSIT AND HIGHWAY AND BRIDGE IMPROVEMENTS THROUGHOUT PENNSYLVANIA. SPONSORED BY STATE REPRESENTATIVE GORDON LINTON OF PHILADELPHIA AND CO-SPONSORED BY SEVERAL AREA LEGISLATORS, HOUSE BILLS 1486 AND 1487 ESTABLISH FOR THE FIRST TIME A DEDICATED FUNDING SOURCE FOR PUBLIC TRANSIT IN PENNSYLVANIA.

THIS MUCH-NEEDED LEGISLATION WOULD GENERATE NEARLY $100 MILLION ANNUALLY TO PAT WHICH COULD BE USED TO MATCH FEDERAL FUNDS FOR THE BUILDING OF SUCH PROJECTS AS THE AIRPORT BUSWAY, MARTIN LUTHER KING, JR. EAST BUSWAY EXTENSION, THE SPINE LINE AND THE STAGE II LIGHT RAIL TRANSIT SYSTEM. THEY COULD ALSO BE USED FOR THE PURCHASE OF NEW BUSES AND LIGHT RAIL VEHICLES AS WELL AS FOR VARIOUS FACILITY IMPROVEMENTS.

IT IS THIS TYPE OF LEGISLATION AND INVESTMENT IN TRANSPORTATION THAT IS NECESSARY IF WE WANT TO SOLVE OUR MANY TRANSPORTATION AND TRANSPORTATION-RELATED PROBLEMS. A STRONG LOCAL-STATE-FEDERAL PARTNERSHIP MUST ALSO BE MAINTAINED. THE LATE SENATOR JOHN HEINZ SPOKE OFTEN OF THIS PARTNERSHIP AS A THREE-LEGGED STOOL. IF ONE OF THE LEGS FAIL, IF THE FEDERAL GOVERNMENT CONTINUES TO WITHDRAW SUPPORT FOR PUBLIC TRANSIT, THEN THE STOOL OR IN THIS CASE PUBLIC TRANSIT SERVICES WILL COLLAPSE.

THIS YEAR, CONGRESS HAS AN OPPORTUNITY, THROUGH BOTH THE APPROPRIATIONS AND AUTHORIZING PROCESS, TO REVERSE A DECADE OF DISINVESTMENT IN OUR TRANSIT PROGRAM AND IN OUR TRANSPORTATION INFRASTRUCTURE. THIS EFFORT SHOULD MARK A REVERSAL FROM RECENT EFFORTS TO REDUCE THE FEDERAL ROLE IN TRANSIT, TO A FUTURE WHICH RECOGNIZES THE VITAL FEDERAL STAKE IN MASS TRANSIT AS PART OF A COMPREHENSIVE NATIONAL TRANSPORTATION SYSTEM.

RECENTLY, REAUTHORIZING LEGISLATION—S. 1160 AND S. 1194—WAS INTRODUCED IN THE SENATE. THESE BILLS WOULD SIGNIFICANTLY INCREASE OVERALL FUNDING FOR PUBLIC TRANSIT AND ESTABLISH A STRUCTURE FOR THE FUTURE TRANSIT PROGRAM. WE ANXIOUSLY AWAIT LEGISLATION FROM THE SURFACE TRANSPORTATION SUBCOMMITTEE WHICH

I AM HOPEFUL WILL RECOGNIZE THE IMPORTANCE OF INVESTING IN OUR TRANSPORTATION INFRASTRUCTURE.

IN GENERAL, THE PROPOSED LEGISLATION MUST INCLUDE THE FOLLOWING:

1) RESTORE AND INCREASE FEDERAL TRANSIT FUNDING WHICH HAS BEEN SLASHED IN HALF OVER THE PAST DECADE;

2) MAINTAIN OPERATING ASSISTANCE FOR ALL TRANSIT SYSTEMS REGARDLESS OF SIZE;

3) PROVIDE SIGNIFICANT FORMULA AND DISCRETIONARY FUNDS TO MEET NEW START, RAIL MODERNIZATION, AND BUS-RELATED INVESTMENTS NEEDS;

4) SUSTAIN GENERAL FUND SUPPORT FOR TRANSIT;

5) INCLUDE ADEQUATE FUNDING FOR TRANSIT SYSTEMS IN RURAL AND SMALLER URBAN AREAS;

6) RECOGNIZE THE IMPORTANCE OF RESEARCH AND DEVELOPMENT TO THE TRANSIT INDUSTRY AND THE PROGRESS WE MUST MAKE; AND

7) ALLOW CERTAIN HIGHWAY FUNDS TO BE USED FOR TRANSIT PROJECTS IF LOCAL GOVERNING BODIES DEEM THEM TO BE MORE BENEFICIAL FOR THE REGION.

I WANT TO EMPHASIZE THE NEED FOR REINVESTMENT IN OLDER AREAS OF THE COUNTRY. URBANIZED AREAS WITH DECLINING POPULATIONS MUST BE PROTECTED AGAINST FORMULA PROGRAMS WHICH ALLOCATE FUNDS BASED ON POPULATION. THE DECLINE IN POPULATION IN THE 1980S HAS NOT BEEN ACCOMPANIED BY A DECLINE IN THE NEED FOR TRANSIT FUNDING. OLDER AREAS WHICH HAVE LOST POPULATION HAVE ALSO LOST PART OF THEIR ECONOMIC BASE, AND SHOULD BE "HELD-HARMLESS" FROM LOSING ANY FORMULA FUNDING DUE SOLELY TO POPULATION LOSS.

ONCE AGAIN, I WANT TO THANK CHAIRMAN KOLTER AND THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT FOR GIVING ME THE OPPORTUNITY TO TESTIFY TODAY ON BEHALF OF PAT AND ON BEHALF OF ALL LOCAL RESIDENTS WHO BENEFIT FROM PUBLIC TRANSPORTATION. I STRONGLY ENCOURAGE YOUR SUPPORT OF PUBLIC TRANSPORTATION IN RECOGNITION OF ITS POSITIVE IMPACT ON THE ECONOMY AND ON ALL AMERICANS. AT THIS TIME I WOULD BE HAPPY TO ELABORATE ON ANY ISSUES OR ANSWER ANY QUESTIONS THAT YOU MIGHT HAVE REGARDING PUBLIC TRANSIT.

Greater Altoona Economic Development Corp.
Redevelopment Authority of Altoona

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Patrick M. Miller
Executive Director

TESTIMONY
OF
THE GREATER ALTOONA ECONOMIC DEVELOPMENT CORPORATION
(GAEDC)

BEFORE

THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
U. S. HOUSE OF REPRESENTATIVES

JUNE 3, 1991
GENEVA COLLEGE
BEAVER FALLS, PENNSYLVANIA

Honorable Members of The Subcommittee on Economic Development, my name is Patrick Miller. I am the Executive Director of the Greater Altoona Economic Development Corporation. I am here today to briefly describe the significant impacts the Economic Development Administration and the Appalachian Regional Commission have had on the Greater Altoona Area.

The City of Altoona, with a population of slightly over 50,000, is located in the Central part of the State. It was the home of the Pennsylvania Railroad and today it is still the home to ConRail repair facilities. But similar to many cities in Western Pennsylvania, the downturn of this primary industry resulted in the need for leaders of business and government to foster industrial diversification. But in order to promote diversification and attract new industry, much needed to be done. The transportation network, primarily highways needed reconstructed, land needed to be assembled as industrial parks, water and sewer facilities needed rebuilt, medical facilities needed upgrading and a workforce needing trained and retrained.

Both the EDA and the ARC became key partners in the City's efforts toward economic recovery.

Since 1970, the Greater Altoona Area has been the recipient of approximately $13,000,000 from the EDA to rebuild sanitary and storm sewers, construct industrial parks, one to the North and one to the South of the City, to construct a needed center city parking garage and a multi-modal transportation center, all of which has leveraged millions and millions in private sector investment within the Greater Altoona Area and has provided employment opportunities for thousands.

Similarly, the City has received over approximately the same period of time, close to $7.5 million from the Appalachian Regional Commission. This ARC investment has leveraged over $53.6 million in other State and local funds to build and equip a regional vocational-technical school, provide better access to industrial and commercial sites, to modernize and expand two City hospitals, to upgrade sewage treatment facilities, to support child development programs, to improve the City's housing stock, and to build a public library. The private sector investment and net new jobs created as a result of twenty years of financial support has the City back on its way to economic recovery.

Just recently, the City was awarded a $917,000 grant from EDA to improve and upgrade water and sewer system in the Southwest Sector of the City's State designated Enterprise Zone. This upgrade will leverage private investment of $23.7 million on the part of four major employers in the area creating 408 new jobs over the next 5 year period and aid in developing an in-city industrial site within the Enterprise Zone. This grant has also leveraged approximately $1 million in grants from the City of Altoona and Commonwealth of Pennsylvania. When linking this type of public investment with EDA's ability to provide low interest business loans and technical assistance grants, an economic development package can be structured that is extremely beneficial and attractive to both the local community and private sector.

Prior to working for the City's Economic Development Corporation, I was employed for eleven years with the Southern Alleghenies Planning and Development Commission which serves as both the Local Development District and Economic Development District for a six county region. The Altoona story of partnerships between the EDA/ARC and local community can be seen over and over in that six county region, a region that not only dealt with the demise of the rail industry but a region that faced downturns in the coal mining and steel producing industries.

But like most federal, state and even local funded programs, EDA and ARC must attempt to make their programs slightly more responsive to the needs of the private sector. Since the programs now are based upon commitments of investment and job creation, the availability of the grants must become more timely. The private sector, who for the most part is the beneficiary of the grants, must be able to time his investment to coincide with the award of the public dollars - that sometimes causes significant delays and reduces the attractiveness of the "government support." The agencies must begin to streamline the application, review, award, and contracting process. The use of Economic Development Representatives in the field is important in initiating that process and should be instituted by other federal agencies to provide that one on one relationship with the local community, but more needs to be done to make the programs more responsive.

In closing, the ability of the City to continue in its efforts to support local business growth, to attract new industry, to assemble land for future growth, to provide facilities to transport materials and goods, and provide services necessary in a healthy economic environment will be contingent upon the continued partnership between local, state, and federal government. Both EDA and ARC are players of significant importance in Western and Central Pennsylvania.

Thank you for this opportunity to come before you and lend my support for the continuation of both programs.

Committee on Public Works and Transportation
The Subcommittee on Economic Development

Testimony of Robert H. Ploehn,
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For the past nine years, in my role as executive director of a major industrial development corporation in Pennsylvania, I have worked closely with the Economic Development Administration in furthering the objective of creating and preserving good, high-paying jobs.

The effectiveness of the Economic Development Administration can be measured statistically in terms of jobs created and dollar payroll. Many federal and state programs can lay claim to creating jobs in our economy; however, we do not really know if these jobs would have been created in any event, with or without government assistance. Determining the net effect would then help compare an agency's ability to create and nurture a positive change in our economy. With the myriad of federal, state and local programs aimed at economic development, it is common to see several programs combined to assist an economic development project. Thus, a manufacturer who builds a new plant, receives export assistance, and does this in an EDA-assisted industrial park has possibly utilized a state building loan program, a state technical assistance program, and a federal grant for the establishment of the industrial park. All three programs claim the job creation, and the inevitable numbers game proceeds.

Another measurement is the leverage of federal dollars to private dollars to determine an investment ratio. Many times, a federal or state program claims the $1 invested in a project generated $4, $5 or $6 in private capital. This is a useful tool, but it still doesn't reveal if the project would have proceeded without government assistance. During the period of the UDAG Program, there was considerable skepticism of the "but for" financing statements, which in essence said that the private developer would not have proceeded with the project but for federal assistance on the project.

All the above measurement criteria are useful tools, but none of them can conclusively determine the effectiveness of federal assistance for economic development.

Having reflected on this predicament on how to evaluate the effectiveness of these programs, I have come to certain conclusions. First, by defining the two words "economic" and "development," they connote a clear departure from the status quo. A successful economic development program creates, precipitates or causes positive change in a community or group of communities.

The second conclusion is that this positive change should have a meaningful effect. Combining these two thoughts, economic development programs should be evaluated as to whether they precipitated meaningful positive change in a community.

By adopting this evaluation, qualitative and relative analysis takes place. That is, we should look at the quality of the change, and determine the amount of change precipitated relative to the local benchmark.

What does all this mean? The state of the art in economic development across our country varies tremendously. Each community is different. What change is needed in one community might be the opposite of the change needed in another. Public officials and private investors must be motivated to change. In many cases, they must be sold on the need for change, and the instinct of mankind is to be comfortable with the status quo.

What we have is the state of inertia in human terms. What we continue to need is a change agent, to seed communities with motivation to make a meaningful change in a positive direction. This is difficult, if not impossible to measure on a comparative, statistical basis, but easy to determine by in-depth consultation with the community public and private leaders.

Federal programs, in and of themselves, do not create a positive meaningful change in a community. Many can argue that the tax changes in the early 1980s, and well as the UDAG program, caused much of the overbuilding prevalent in the nation's urban areas. We have an oversupply of office space, and of hotel space, that was partially created by federal incentives apart from the market demand for these facilities.

What does contribute to meaningful positive change is the personal involvement of an experienced strategist who acts as a "change agent." This change agent interviews the community leaders, evaluates a community's strengths and weaknesses, and compares the community to other like communities in the region or nation. This change agent is the qualitative analyst. Computers can crunch numbers, but they can't analyze the quality of a community's economic development program.

What makes the Economic Development Administration successful in Northwest Pennsylvania is the quality and involvement of the Economic Development Representative in each individual community's economic problems and opportunities. Only the hands-on involvement of a government employee, a "circuit rider," if you will, can bring disparate elements of a community together for the common good of precipitating positive meaningful change.

What is happening from an agency perspective is that the individual who is providing technical assistance to the community also becomes the advocate for funding inside the Economic Development Administration. Thus, the "circuit rider" or EDR visits the community, meets with its leadership, advises the community on the most appropriate approach to a problem, and then becomes the representative of the community with the federal bureaucracy. This individual, personal "hands-on" approach has been very effective in Northwest Pennsylvania. It centralizes the accountability in a field person who is closest to the opportunity. What we have avoided is the syndrome of the desk-bound bureaucrat who mandates predictable, cookie-cutter "solutions" without ever having had any real interaction with the community.

The effectiveness of the Economic Development Administration is, then, largely a result of the personal, hands-on organizational approach of having state Economic Development Representatives work in the field. Greater effectiveness, of course, could be achieved by providing more latitude to the regional offices in the type of projects to be funded for investment. This would enhance the individualized approaches to economic development opportunities. We have see some additional flexibility in the regulations for the Title I Public Works program in the past year, and if this trends continues then EDRs will have even greater capability of addressing the needs of distressed communities.

A Report
on
Infrastructure Impact on Economic Development

Prepared for:

Sub Committee on Economic Development
Public Works & Transportation Committee
House of Representatives
Congress of the United States

BEAVER COUNTY CORPORATION
FOR ECONOMIC DEVELOPMENT

May 28, 1991

Honorable Joe Kolter, Chairman
Congress of the United States
House of Representatives
Sub Committee on Economic Development,
Public Works and Transportation Committee

Dear Chairman Kolter:

On behalf of the Beaver County Corporation for Economic Development Board of Directors and staff, the opportunity of appearing before your committee is a privilege and appreciated. We share your concerns for the economic well-being and progress of Beaver County, the Commonwealth of Pennsylvania and our entire Nation.

While the term "economic development" has become generic in addressing the many facets of producing business growth, job creation and revenue generating activities, continued progress is vital and essential in providing a quality of life and strong competitive posture in world economics. The primary pursuits of such progress are dependent on land development, infrastructure support and addressing fair resolution to environmental issues.

The economic history of Beaver County, until recent years, was dominated by the basic steel industry. By 1983, the large integrated mills ceased to exist and some 26,000 people were without jobs with little or no opportunity for equal employment. Companies such as Armco, Ambridge; Babcock & Wilcox, Beaver Falls; LTV, Aliquippa; Hydril, Rochester; Crucible, Midland; and H.H. Robertson, Ambridge have either been closed or the operation largely curtailed to mini-mill size. The severity of impact has resulted in Beaver County having the highest unemployment percentage of any county in Pennsylvania. Another negative impact has been out migration of the younger, more mobile element of the available work force.

In order to reverse further decline, the Beaver County Board of Commissioners created an Office of Economic Development which was restructured in March, 1987 to a private, non-profit corporation which is the Beaver County Corporation for Economic Development (CED). To date, CED has been instrumental in creating $290 million in new capital investment in the county. In addition, three-year job certification provides for 2545 employment with an annual payroll of $49,989,000.

798 Turnpike Street ◇ Beaver, Pennsylvania 15009 ◇ (412) 728-8610

This investment in Beaver County's economic revitalization, both present and future, has been and will continue to be dependent on adequate infrastructure to support new industry and expansion of existing industries. There are several, specific examples where infrastructure development was essential to the projects. These are briefly described below:

> Marion Township: Two new companies, Vekaplast and Alta Group, had growth restrictions because of lack of public water. Through an EDA Grant of $390,000 match, a water line was extended from North Sewickley Township solving the problem.
>
> New Sewickley Township: The new Tri-County Business Park of 115 acres has become a realty by providing both public water and waste treatment. Kraft Foods has committed $12 million to their new distribution facility as first occupant.
>
> Port Ambridge: This is a new industrial park created from the former American Bridge plant which no longer exists. A critical requirement for development was safe access to the property eliminating a dangerous grade crossing of the Conrail main line. The Commonwealth funded a $4.2 million bridge that allowed development to move forward. This was followed by some $4.3 million in new road, water and sewage. The latest addition to the park is WorldClass Processing, Inc. for a capital investment of $33.5 million in steel processing.
>
> Ambridge Regional Center: The former Armco plant has been converted to a multi-tenant park with wide diversification of industries, services and technologies. Over $5 million has been spent on infrastructure plus $6 million to date on building renovations.

Logan Lane: The development of the Ambridge Regional Center, Precision Galvanizing and general industrial growth on Duss Avenue in Ambridge has substantially increased truck traffic that traverses through the business districts of Baden and Ambridge. To alleviate the potential hazards and traffic impacts, to accommodate the continuing increase, the development of Logan Lane will provide direct access from Route 65 to the industrial area of Duss Avenue. This $908 thousand project is being funded by $600 thousand Industrial Communities Site Program, $239 thousand from a Enterprise Zone Competitive Grant, $58 thousand from the Ambridge/Harmony/Aliquippa EZ annual allocations and $11 thousand from private donations.

These five examples point out the importance and absolute necessity of adequate infrastructure. Companies such as Vesuvius/McDanel, Beaver Falls; J & L Structural, Aliquippa; Precision Galvanizing, Ambridge and the Hopewell Business Park, Aliquippa can also be added to the list where infrastructure was the determining factor for either new location or expansion.

We are fast coming to the juncture where abandoned steel mills have been converted to productive reuse and we must look to "greenfield" sites with development potential. CED has commissioned a $95,000 study of some fifteen possible sites. While the study will evaluate land development costs such as grading, the primary considerations are proximity of water, sewer and access roads and prioritized according to potential and cost.

With the completion of Route 60 Beaver Valley expressway and the new mid-field terminal of the Pittsburgh International Airport both scheduled for completion in 1992, there will be both need and demand for water and sewage where it does not exist, for upgrading feeder roads and bridge repairs to accommodate the constant increase in vehicle travel which is up some 38% since 1981.

Congressman Joseph Kolter
May 28, 1991
Page Four

At least one new highway is needed in Beaver County and that is the Mid-Valley Expressway (locally referred to as "Crows Run") which would connect Route 65 to a juncture with Routes 19, 79 and the Pennsylvania Turnpike. A major upgrade of Route 351 connecting Route 18 at Koppel to Route 51 in Darlington with a Turnpike intersect is another priority as resurgence of steel production in Koppel & Beaver Falls plus industrial development in Darlington continues to grow.

Infrastructure needs as outlined fail to address the monumental task of evaluating the condition and rehabilitative costs of existing facilities. Local municipalities and servicing authorities are confronted with financial constraints that prohibit the massive expenditures necessary. As a consequence, many areas that could be developed will remain dormant and economic development stymied. For example, it is beyond comprehension that the distressed City of Aliquippa could finance, in any manner, the estimated $10 million required for water, sewers, roads and utilities necessary to develop some 400 acres of the former and now abandoned LTV mill.

We are confronted with massive need and corresponding cost. The magnitude is beyond the capability of local government and taxpayers. If Beaver County, the Commonwealth of Pennsylvania and the United States are to enter the 21st Century as strong leaders and competitors in world economics, it will be because the Federal and State governments are willing to invest now in that future. To do less is to deny our citizens the quality of life they deserve.

Again, Mr. Chairman, we are grateful for the opportunity of expressing our concerns to you and your august committee. Unfortunately, we do not have simple answers to the complex problems you are addressing. We do know that the resolution will depend on expansions of existing state and federal programs, including increased revenues, unequivocally targeted for infrastructure, transportation (both surface and air) water quality and environmental issues. To those committed to these objectives, we pledge our support and cooperation.

Very truly yours,

Clair E. Searfoss

Clair E. Searfoss
President

TESTIMONY OF RICHARD L. SHAW

BEFORE THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
OF THE UNITED STATES HOUSE OF REPRESENTATIVES

MONDAY, JUNE 3, 1991

GOOD MORNING. MY NAME IS RICHARD SHAW. I AM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE MICHAEL BAKER CORPORATION. BAKER FOR MANY YEARS HAS RANKED IN THE TOP 10% OF ENGINEERING DESIGN FIRMS AS REPORTED BY THE ENGINEERING NEWS-RECORD. FOUNDED IN BEAVER COUNTY MORE THAN 50 YEARS AGO THIS ESOP COMPANY WITH 20 MAJOR REGIONAL OFFICES THROUGHOUT THE UNITED STATES AND OVERSEAS HAS LONG BEEN A MAJOR CONTRIBUTOR TO THE ECONOMIC DEVELOPMENT OF THE WESTERN PENNSYLVANIA REGION.

I WANT TO BEGIN BY EXPRESSING BEAVER COUNTY'S APPRECIATION TO THE HONORABLE JOSEPH P. KOLTER, CHAIRMAN, SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, AND TO THE COMMITTEE FOR YOUR INTEREST IN OUR REGION AS EVIDENCED BY YOUR PRESENCE HERE TODAY, AS WELL AS THAT OF THE HONORABLE ROBERT ROE, CHAIRMAN, HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE, AND THE HONORABLE NORMAN MINETA, CHAIRMAN, SUBCOMMITTEE ON SURFACE TRANSPORTATION. WE THANK YOU FOR COMING AND FOR YOUR COMMITMENT TO THE FUTURE ECONOMIC VIABILITY OF OUR REGION.

AS YOU ARE AWARE, IN 1979 THE PRIMARY METALS INDUSTRY IN BEAVER COUNTY PROVIDED EMPLOYMENT FOR MORE THAN 27,000 MEN AND WOMEN. UNEMPLOYMENT WAS JUST OVER 6%. BY 1987 THIS SAME INDUSTRY PROVIDED ONLY 3,700 JOBS AND UNEMPLOYMENT PEAKED AT ALMOST 23%. WHILE UNEMPLOYMENT TODAY IS IN THE 11% RANGE, THE DECLINE IS ATTRIBUTABLE TO LARGE NUMBERS OF PEOPLE BEING UNDER-EMPLOYED, A SIGNIFICANT GROUP OF PEOPLE ACCEPTING EARLY RETIREMENT AND LEAVING THE LABOR FORCE, AND A DECLINE IN POPULATION AS REPORTED BY THE BUREAU OF THE CENSUS BETWEEN 1980 AND 1990 OF OVER 20,000.

YESTERDAY YOU TOURED THE NEW $600 MILLION PITTSBURGH INTERNATIONAL AIRPORT, A PROJECT THAT IS EXPECTED TO BE A KEY ELEMENT FOR FUTURE ECONOMIC DEVELOPMENT IN BOTH ALLEGHENY AND BEAVER COUNTIES. IN ORDER FOR THIS INVESTMENT TO ACHIEVE ITS FULL ECONOMIC DEVELOPMENT POTENTIAL, A TRANSPORTATION NETWORK MUST BE PUT IN PLACE THAT WILL FACILITATE GROWTH AND ATTRACT NEW INDUSTRIES AND PROVIDE NEW OPPORTUNITIES FOR EMPLOYMENT REVERSING THE TREND THAT BEGAN IN THE EARLY 80'S.

REGIONALLY THERE IS A $6 BILLION SHORTFALL IN THE FUNDING NECESSARY TO REPAIR OR REPLACE OUR EXISTING DISTRESSED OR FUNCTIONALLY DEFICIENT TRANSPORTATION NETWORK AND TO PROVIDE THE MISSING LINKS THAT ASSURE THE LONG-TERM VIABILITY OF THE ECONOMIC BASE OF THE REGION.

AS YOU KNOW, THERE IS A STRONG CORRELATION BETWEEN INFRASTRUCTURE SPENDING AND THE NATION'S PRODUCTIVITY RATE. NATIONWIDE OUR COMMITMENT TO THIS VITAL ECONOMIC DEVELOPMENT ELEMENT HAS DECLINED WHILE THAT OF OUR MAJOR INTERNATIONAL COMPETITORS, GERMANY AND JAPAN, HAS STEADILY INCREASED.

HERE IN BEAVER COUNTY WE ARE FORTUNATE TO BE THE BENEFICIARY OF NOT ONLY THE AIRPORT DEVELOPMENT, BUT ALSO THE TOLL-FINANCED EXTENSION OF THE BEAVER VALLEY EXPRESSWAY, ROUTE 60, FROM ROUTE 51 NORTH TO INTERSTATE 80. THIS PROJECT PLANNED, FINANCED AND CONSTRUCTED BY THE PENNSYLVANIA TURNPIKE COMMISSION WILL PROVIDE A NEW ACCESS TO THE AIRPORT AND SHOULD FOSTER DEVELOPMENT WITHIN THE CORRIDOR IN BEAVER AND LAWRENCE COUNTIES. THE MISSING LINK THEN REMAINS THE MID-COUNTY EXPRESSWAY BEGINNING AT INTERSTATE 79, ROUTE 19 AND THE PENNSYLVANIA TURNPIKE ON THE NORTH AND EXTENDING SOUTH, CONNECTING WITH ROUTE 65 IN THE BADEN AREA, CROSSING THE RIVER IN THE VICINITY OF ALIQUIPPA, CONNECTING WITH ROUTE 51 AND EXTENDING ON TO ROUTE 60.

THIS PROPOSED ROADWAY AND BRIDGE PROJECT WILL OPEN UP VAST NEW AREAS OF BEAVER COUNTY FOR DEVELOPMENT. IT WILL ENHANCE AIRPORT ACCESS FROM BUTLER COUNTY AND NORTH. IT WILL REPLACE A 75-YEAR OLD BRIDGE ACROSS THE OHIO RIVER WHICH IS FUNCTIONALLY, IF NOT STRUCTURALLY, DEFICIENT; AND WHEN CONNECTED TO THE BEAVER VALLEY EXPRESSWAY, ROUTE 60, WHICH IN TURN CONNECTS WITH THE SOUTHERN EXPRESSWAY AND THE FINDLAY CONNECTOR, IT WILL FORM A MAJOR SEGMENT OF THE PLANNED BELTWAY AROUND THE CITY OF PITTSBURGH.

THIS PROJECT, FIRST CONCEIVED AND INCLUDED IN A 1965 MASTER PLAN FOR BEAVER COUNTY, HAS LONG HAD THE SUPPORT OF CONGRESSMAN KOLTER. IT WAS HIS EARLY RECOGNITION OF THE IMPORTANCE OF THIS ROADWAY AS A SIGNIFICANT ECONOMIC GENERATOR AND HIS BACKING THAT PROVIDED THE INITIAL COMMITMENT OF FEDERAL FUNDS.

BEAVER COUNTY CONTINUES TO BE AN ECONOMICALLY DISTRESSED AREA. THE FUNDING AND ULTIMATE CONSTRUCTION OF THIS ROADWAY AND BRIDGE PROJECT ARE VITAL TO ITS FUTURE ECONOMIC WELLBEING.

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE AND TO TESTIFY ON BEHALF OF THIS PROJECT, AS WELL AS OUR REGIONAL ECONOMIC NEEDS.

STATEMENT

OF

PHILIP A. SHUCET

MICHAEL BAKER, JR., INC.
420 ROUSER ROAD, BUILDING #3
CORAOPOLIS, PENNSYLVANIA 15108

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

June 3, 1991

Mr. Chairman and Members of the subcommittee, good morning. My name is Philip Shucet and I am the Transportation Planning Manager for Michael Baker, Jr., Inc., based in Coraopolis, Pennsylvania. I am here today representing Maglev, Inc., a Pittsburgh based company, and to our knowledge, the only Maglev public/private consortium in the Country. We very much appreciate the invitation to appear before you today.

MAGLEV, Inc. has undertaken an ambitious agenda. Our goal is to establish Pennsylvania as a manufacturing and industrial center for magnetic levitation transportation systems constructed in North America. As a component of this effort, we intend to build and operate a maglev demonstration line between downtown Pittsburgh and the Greater Pittsburgh International Airport, where a new mid-field terminal is presently under construction. We envision this demonstration as the first link in a new regional maglev network extending into the Midwest and Mid-Atlantic states.

Maglev refers to guided ground transportation which depends on magnetic forces for vehicle suspension and guidance and vehicle propulsion using linear induction motors. There is no physical contact between the vehicle and guideway while the vehicle is in motion. High speed Maglev is regarded by some as a new mode of guided ground transportation which fits between air and rail modes. The speed range of maglev (150-300 mph) overlaps the rail mode on the lower end and the air mode on the upper end. For trips of 100-600 miles, maglev may be more efficient than either highway or air.

Maglev is an all weather system that is particularly suited for Pennsylvania's terrain. Because of its ability to bank and climb, it requires minimal tunneling and, because it is elevated and requires only a narrow right of way, it imposes much less disruption to existing communities than, for instance, new highway systems. It operates on electricity and is environmentally clean and acceptable. It is also safe, as the maglev cars wrap around the guideway and can not derail. One extremely important point to remember is that because there is no friction or wear and tear, long term maintenance and repair costs will be dramatically reduced compared to other transportation modes. This long term life expectancy should be kept in mind when evaluating and planning for our transportation needs of the future.

Before I go further, I would like to take a moment to comment on the future projections for transportation, developed by the federal government, that convince us that maglev is in our immediate future.

The United States faces a transportation crisis. Congestion in our airways and on our highways is rapidly increasing. Present data trends in these two major passenger travel modes suggest that we are rapidly losing our mobility. Between the years 1985 and 2005, highway vehicle delay is predicted to increase from 3 billion to 12 billion vehicle-hours. During the same time period, the number of airports with chronic delay will increase from 11 to 47. The estimated cost of delay to the passenger will increase from $8 billion annually in 1985 to nearly $60 billion in 2005, in terms of constant dollars.

We feel an integral part of the solution is maglev.

Maglev systems which can link airports and metropolitan centers, such as Pittsburgh and Philadelphia, with access to the urban and regional sprawl, can play a major role in helping to ease the worsening effects of the passenger transportation crisis in the twenty-first century. These systems can complement the air and highway modes, especially if proper interfaces are constructed.

Regional maglev systems with top speeds of up to 300 miles per hour make a great deal of sense. Such regional systems can utilize the airport of a major metropolitan area as a hub and extend service to smaller cities or airports in the surrounding region. The hubbing concept, now practiced at many of our airports, can in many cases be handled more efficiently by maglev, freeing valuable airspace and airports of commuter flights for longer distance flights. As our economy becomes more strongly linked to those of other nations, demand for long distance and overseas flights will continue to increase rapidly.

Since such regional maglev lines will access the major airport through the suburban areas surrounding the major metropolitan airport, it is highly likely that these same lines can be used for suburban commuting and airport access. Since the lines for the high speed regional service would already be in place, the suburban commuter and airport access system could be obtained at a marginal capital cost increase over the regional system cost. To generate early revenue, the suburban commuter system could be built prior to construction of the regional system. The regional system is simply an extension of the suburban system, which provides better access to the air mode as well as the maglev regional service.

Incidentally, the nodes or stops of these systems would be prime candidates for more orderly economic development or redevelopment. Something Pennsylvania can ill afford to ignore because the auto, taxi, light rail or feeder bus would be the primary modes of transportation to the maglev nodes, the interfaces must be well designed to accommodate the user.

And finally, I would like to add:

As a large and populous state, Pennsylvania can not expect to escape this emerging transportation crisis. Even if we were to ignore the "quality of life" issues, the debilitating effects to Pennsylvania's commerce and ability to compete in world markets make it imperative that we begin to explore new and innovative solutions and thought processes; new institutions and sector cooperation; new corporation structures and ways of doing business.

MAGLEV, Inc., with its innovative and unique private/public/labor/corporate structure, might perhaps serve as a model for a new way of cooperating for the future of Pennsylvania. We ask that, as you go forward, you design an overall transportation plan incorporating a comprehensive intermodal concept with clean interfaces between the various systems including maglev. It is an immense and critical undertaking and we congratulate you on your effort. At stake is the future well-being of the Commonwealth. That concludes my testimony and thank you for the opportunity to appear before the committee. I would be pleased to answer any questions you may have.

APPENDIX A

1. Mission Statement/Board of Directors/Shareholders

    -- Officers

2. Update on DD&D

    -- Monitor/Support Other Projects
    -- Education Program
    -- Transrapid License
    -- Manufacturing Plans
    -- Demonstration Project Preliminary Design
    -- Regional System Plan
    -- Schedule

3. Preliminary Feasibility Study

SECTION 1

MAGLEV, Inc. Mission Statement

MAGLEV/. Inc. is a company made up of and supported by numerous private and public entities incorporated on February 16.1990. too carry out the objectives of the MAGLEV Working Group. which were adopted from the 'Report of the Preliminary Feasibility Study of the Pittsburgh MAGLEV'/ Project". These are:

- Create a MAGLEV industrial base in the Pittsburgh region.
- Build and operate a regional. high speed. MAGLEV system in a public/private partners nip. and
- Integrate economic development nodes by means of the system to allow future growth. improve mobility and reduce infrastructure costs.

MAGLEV, Inc. Shareholders and Contributing Board Members

- AEG Westinghouse Transportation Systems. Inc.*
- Allegheny County**
- Carnegie Mellon University*
- Commonwealth of Pennsylvania**
- Duquesne Light Company*
- Michael Baker Corporation*
- Pittsburgh Building and Construction Trades Council*
- Reed Smith Shaw McClay (contributing legal services)**
- Tri-State Conference on Steel*
- United Steel Workers of America*
- Urban Redevelopment Authority of Pittsburgh**
- Price Waterhouse (contributing accountant)

*Shareholder/Board Member
**Contributing Board Member

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Meyer Berger
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S - Shareholder

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Chief Operating Officer

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Secretary/Treasurer

Rev. Pierre Whalon
MAGLEV Project Chairman
Tri-State Conference on Steel
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(Fax) 412/461-5653

Monitor/Support Other Projects

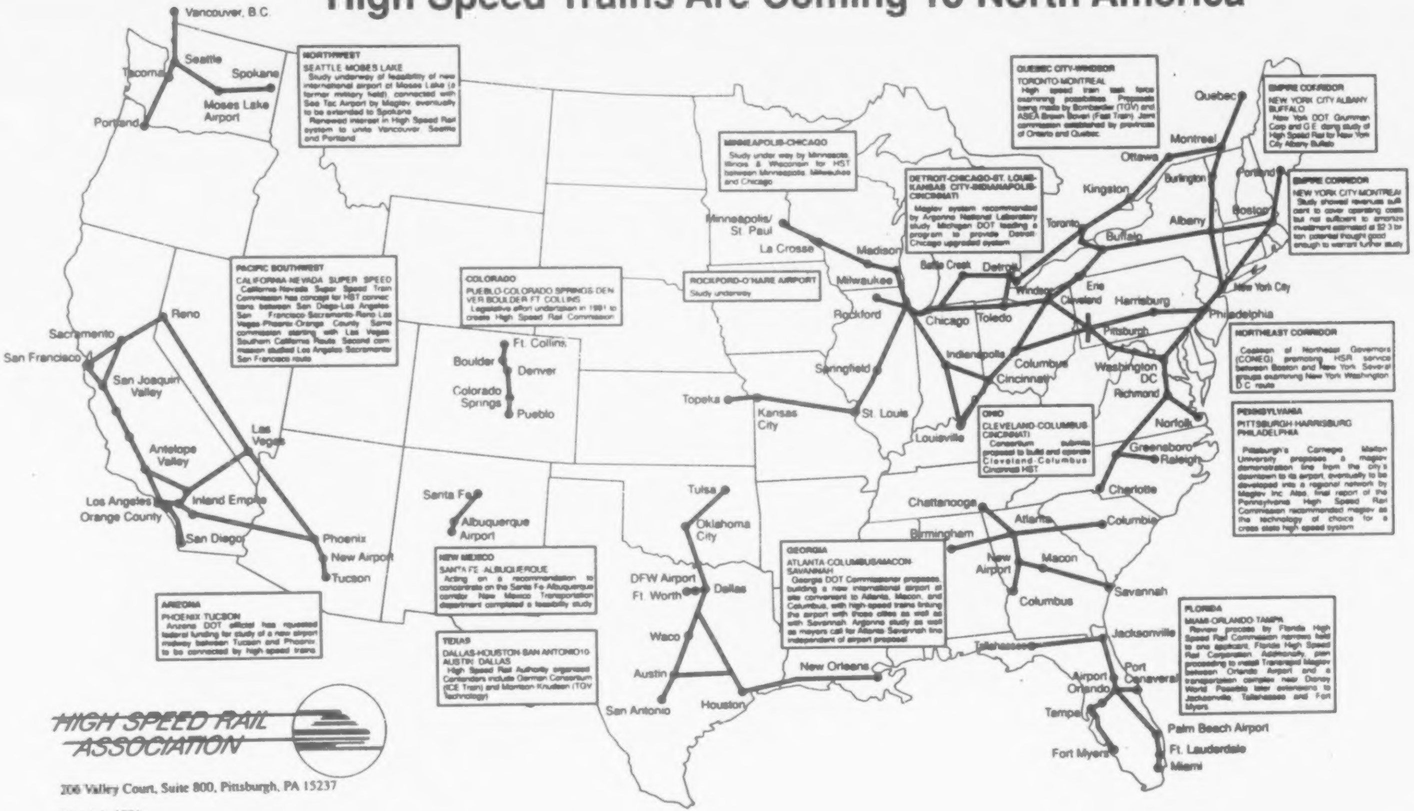
Efforts continue to stay in touch with other projects in order to assess market potential.

Florida: Disneyworld to Orlando. This is the most active of the Transrapid projects. A series of public hearings have been concluded. Problems still exist with wetlands and access to the airport. We have stayed in touch with Magnetic Transit. Inc. and Transrapid in order to participate in this project, if and when it happens. A meeting with Magnetic Transit, Inc. is set for the end of January.

California: Las Vegas to Anaheim. This proposal for a Transrapid system to connect these two cities is still in the planning stages. MAGLEV, Inc. is communicating with Bechtel, the lead on this project, about future participation and sharing of information.

Other Programs: Discuss as time permits.

High Speed Trains Are Coming To North America


Vancouver, B.C.
Seattle
Tacoma
Spokane
Moses Lake Airport
Portland
Reno
Sacramento
San Francisco
San Joaquin Valley
Antelope Valley
Las Vegas
Los Angeles
Orange County
Inland Empire
San Diego
Phoenix
New Airport
Tucson
Ft. Collins
Boulder
Denver
Colorado Springs
Pueblo
Santa Fe
Albuquerque Airport
Minneapolis/ St Paul
La Crosse
Madison
Milwaukee
Rockford
Chicago
Springfield
St. Louis
Topeka
Kansas City
Tulsa
Oklahoma City
DFW Airport
Ft. Worth
Dallas
Waco
Austin
San Antonio
Houston
New Orleans
Battle Creek
Detroit
Windsor
Toledo
Indianapolis
Louisville
Columbus
Cincinnati
Toronto
Kingston
Ottawa
Montreal
Quebec
Burlington
Albany
Buffalo
Portland
Boston
Erie
Cleveland
Harrisburg
Pittsburgh
New York City
Philadelphia
Washington DC
Richmond
Norfolk
Greensboro
Raleigh
Charlotte
Chattanooga
Birmingham
Atlanta
Columbia
New Airport
Macon
Columbus
Savannah
Tallahassee
Jacksonville
Airport
Orlando
Port Canaveral
Tampa
Fort Myers
Palm Beach Airport
Ft. Lauderdale
Miami

NORTHWEST
SEATTLE-MOSES LAKE
Study underway of feasibility of new international airport at Moses Lake (a former military field), connected with Sea Tac Airport by Maglev, eventually to be extended to Spokane.
Renewed interest in High Speed Rail system to unite Vancouver, Seattle and Portland.

PACIFIC SOUTHWEST
CALIFORNIA-NEVADA SUPER SPEED
California-Nevada Super Speed Train Commission has concept for HST connections between San Diego-Los Angeles-San Francisco-Sacramento-Reno-Las Vegas-Phoenix-Orange County. Same commission starting with Las Vegas-Southern California Route. Second commission studied Los Angeles-Sacramento-San Francisco route.

COLORADO
PUEBLO-COLORADO SPRINGS-DENVER-BOULDER-FT. COLLINS
Legislative effort undertaken in 1991 to create High Speed Rail Commission.

ARIZONA
PHOENIX-TUCSON
Arizona DOT official has requested federal funding for study of a new airport midway between Tucson and Phoenix, to be connected by high speed trains.

NEW MEXICO
SANTA FE-ALBUQUERQUE
Acting on a recommendation to concentrate on the Santa Fe-Albuquerque corridor, New Mexico Transportation department completed a feasibility study.

TEXAS
DALLAS-HOUSTON-SAN ANTONIO-AUSTIN-DALLAS
High Speed Rail Authority organized. Contenders include German Consortium (ICE Train) and Morrison-Knudsen (TGV Technology).

MINNEAPOLIS-CHICAGO
Study under way by Minnesota, Illinois & Wisconsin for HST between Minneapolis, Milwaukee and Chicago.

ROCKFORD-O'HARE AIRPORT
Study underway.

DETROIT-CHICAGO-ST. LOUIS-KANSAS CITY-INDIANAPOLIS-CINCINNATI
Maglev system recommended by Argonne National Laboratory study. Michigan DOT leading a program to provide Detroit-Chicago upgraded system.

QUEBEC CITY-WINDSOR
TORONTO-MONTREAL
High speed train task force examining possibilities. Proposals being made by Bombardier (TGV) and ASEA Brown Boveri (Fast Train). Joint commission established by provinces of Ontario and Quebec.

EMPIRE CORRIDOR
NEW YORK CITY-ALBANY-BUFFALO
New York DOT, Grumman Corp and G.E. doing study of High Speed Rail for New York City-Albany-Buffalo.

EMPIRE CORRIDOR
NEW YORK CITY-MONTREAL
Study showed revenues sufficient to cover operating costs but not sufficient to amortize investment estimated at $2.3 billion; potential thought good enough to warrant further study.

OHIO
CLEVELAND-COLUMBUS-CINCINNATI
Consortium submits proposal to build and operate Cleveland-Columbus-Cincinnati HST.

NORTHEAST CORRIDOR
Coalition of Northeast Governors (CONEG) promoting HSR service between Boston and New York. Several groups examining New York-Washington D.C. route.

PENNSYLVANIA
PITTSBURGH-HARRISBURG-PHILADELPHIA
Pittsburgh's Carnegie Mellon University proposes a maglev demonstration line from the city's downtown to its airport, eventually to be developed into a regional network by Maglev Inc. Also, final report of the Pennsylvania High Speed Rail Commission recommended maglev as the technology of choice for a cross state high speed system.

GEORGIA
ATLANTA-COLUMBUS-MACON-SAVANNAH
Georgia DOT Commissioner proposes building a new international airport at site convenient to Atlanta, Macon, and Columbus, with high-speed trains linking the airport with those cities as well as with Savannah. Argonne study as well as mayors call for Atlanta-Savannah line independent of airport proposal.

FLORIDA
MIAMI-ORLANDO-TAMPA
Review process by Florida High Speed Rail Commission narrows field to one applicant, Florida High Speed Rail Corporation. Additionally, plan proceeding to install Transrapid Maglev between Orlando Airport and a transportation complex near Disney World. Possible later extensions to Jacksonville, Tallahassee and Fort Myers.

HIGH SPEED RAIL ASSOCIATION

206 Valley Court, Suite 800, Pittsburgh, PA 15237

March 1, 1991

MAGLEV Education Program

The education program is important because it is needed to raise awareness and build public support for the MAGLEV project. This is crucial for a public/private venture such as ours. Therefore, over 250 presentations have been made to date...

- Community
- Political and Government
- Corporate
- Labor
- Professional

In addition, MAGLEV, Inc. has established an Advisory Committee which is made up of over a hundred and fifty regional public and private citizens and leaders. This Committee is organized into the following subcommittees to support MAGLEV, Inc. efforts:

- Labor Relations
- Public Relations
- Transportation
- Environmental
- Community Education
- Finance
- Manufacturing
- Community Development
- Government Relations

Transrapid License

A key element for the economic and political success of the Pittsburgh Project is the need to manufacture much of the system in the Pittsburgh region. Because of the criticality of this element, Richard Uher and John Kapala went to Germany in December, 1990, to discuss the progress on the licensing agreement.

Transrapid is a marketing company which is owned jointly by Kraus Maffei, Thyssen Henschel and MBB. Recently, many changes have occurred in these companies which is causing Transrapid to reorganize. Siemens has acquired 20-25% of Kraus Maffei and MBB has been acquired by Damier Benz. Damier Benz is the parent company of AEG and therefore, AEG-Westinghouse International. Thyssen Henschel, who has taken the leadership role in Transrapid, is leading the discussions with all the new players on the reorganization.

Therefore, Transrapid (TRI) is unable to enter into any formal agreements for the next few months. However, we were successful in negotiating a letter of agreement which covers the following points:

1. MAGLEV, Inc. is allowed to use the Transrapid technology for the regional system,
2. Transrapid will support MAGLEV, Inc. in the planning study effort, and provide manufacturing information, and
3. The goal of the agreement is to provide for MAGLEV, Inc. to manufacture 'the system in the Pittsburgh area.

TRI has been supportive and has already provided information such as cost estimates, operational casts, power consumption, and performance runs for several of the demonstration routes.

What is slow in coming is additional information requested by MI on manufacturing. We are continuing to communicate and press for this information.

Manufacturing Plans

The manufacturing plan effort started in earnest in October, 1990 and is expected to be completed around October, 1991. A complete review of all existing material and data has been made and a matrix was generated for each major category of supply as wail as a flow chart of the system design and guideway construction. This information has been transmitted to Transrapid and we await their comments and further input. Meanwhile, we are continuing our efforts with the information we have available.

These efforts include research as to potential suppliers for all major elements such as steel, stators, wire, guideway fabrication, etc. As well as more detailed cost estimates for these elements. The results of the manufacturing plan will be used as input for the economic model to support the economic and financing plan.

Plan Demonstration System

Good progress is being made on the demonstration system. Many routes were studied and four have been chosen for final analysis (see system map). These were chosen for factors which are important to the demonstration project ana include: cost, right of way accessibility, environmental restraints and demonstration of system Safety, speed and feasibility.

This current study includes:

- layout of lines to 200' scale (complete for Scheme A)
- capital cost estimates
- ridership study
- environmental study
- train performance, and
- operational costs

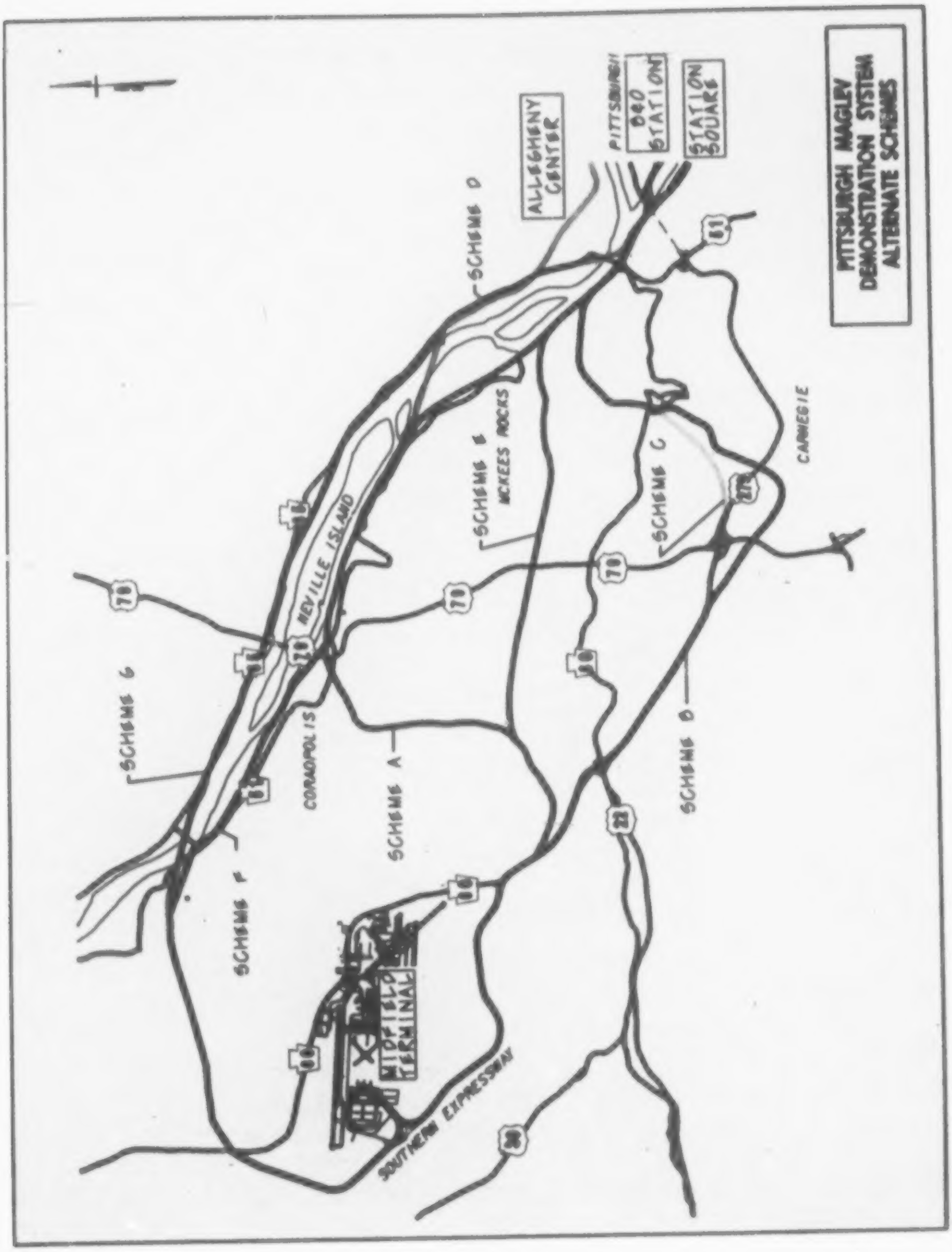
We expect to have the results of this effort by July, 1991, at which time we will choose the best line and complete the preliminary engineering on that line by March, 1992.

Plan Regional System

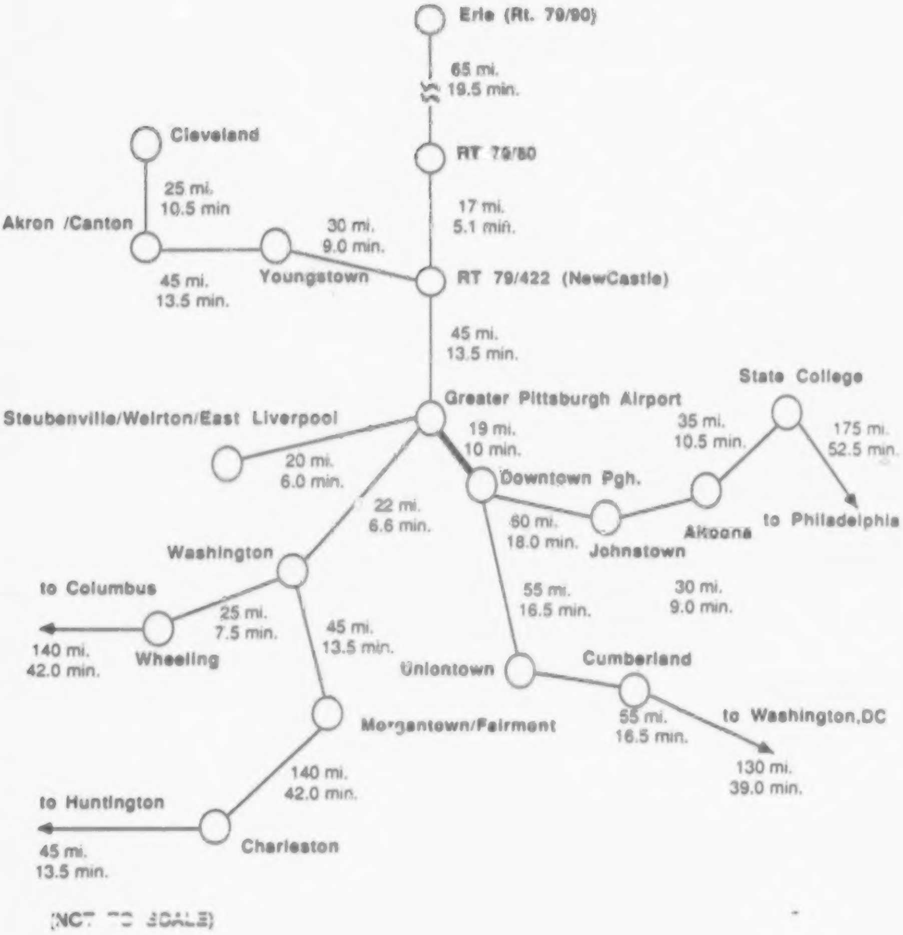
Good progress is being made on the regional system plan. Of the six regional lines being studied, the line to Cleveland is complete ana the balance will be completed by September, 1991 (see regional system map).

As the layouts of these lines are completed, capital cost estimates, performance reviews, ridership studies and operational costs will be evaluated. All this information will then be input into the economic model (currently being developed) which, along with other inputs, such as economic development at nodes, job creation and tax.' revenue sharing, will be used to develop the economics for the viability of the financial plan. This effort is scheduled to De completed by the end of 1991.

A financial plan will then be developed to show how the Demonstration system can be funded as well as the overall MAGLEV development in the Pittsburgh region.


PITTSBURGH MAGLEV DEMONSTRATION SYSTEM ALTERNATE SCHEMES
ALLEGHENY CENTER
PITTSBURGH
P&LE STATION
STATION SQUARE
SCHEME D
SCHEME E
MCKEES ROCKS
SCHEME C
CARNEGIE
NEVILLE ISLAND
SCHEME G
CORAOPOLIS
SCHEME A
SCHEME B
SCHEME F
MIDFIELD TERMINAL
SOUTHERN EXPRESSWAY
79
60
22
30
279

PITTSBURGH REGIONAL HSGT SYSTEM
HIGH SPEED REGIONAL SERVICE


Erie (Rt. 79/90)
65 mi.
19.5 min.
Cleveland
RT 79/80
25 mi.
10.5 min
17 mi.
5.1 min.
Akron /Canton
30 mi.
9.0 min.
Youngstown
RT 79/422 (NewCastle)
45 mi.
13.5 min.
45 mi.
13.5 min.
State College
Greater Pittsburgh Airport
Steubenville/Weirton/East Liverpool
19 mi.
10 min.
35 mi.
10.5 min.
175 mi.
52.5 min.
20 mi.
6.0 min.
Downtown Pgh.
22 mi.
6.6 min.
60 mi.
18.0 min.
Johnstown
Altoona
to Philadelphia
Washington
to Columbus
25 mi.
7.5 min.
45 mi.
13.5 min.
55 mi.
16.5 min.
30 mi.
9.0 min.
140 mi.
42.0 min.
Wheeling
Uniontown
Cumberland
Morgantown/Fairmont
55 mi.
16.5 min.
to Washington,DC
130 mi.
39.0 min.
140 mi.
42.0 min.
to Huntington
Charleston
45 mi.
13.5 min.
(NOT TO SCALE)

Schedule

• Complete Demonstration system alternatives	8/91
• Complete regional system layouts	12/91
• Complete Economic Model	12/91
• Complete manufacturing plan	12/91
• Complete Demonstration preliminary engineering and environmental impact statement	3/92
• Compete licensing efforts	3/92
• Complete financial plan	3/92
• Prepare final report	4/92-8/92

CONGRESS OF THE UNITES STATES
HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
OF THE
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
PUBLIC HEARING

June 3, 1991

WITNESS: Mrs. Beatrice L. States
Indiana County Commissioners

As an Indiana County Commissioner, I am providing testimony in regard to the continued authorization of the Appalachian Regional Commission and the U.S. Department of Commerce, Economic Development Administration. This testimony represents the combined concerns of the Indiana County Board of Commissioners, the Indiana County Chamber of Commerce, the Indiana County Development Corporation, and Indiana University of Pennsylvania.

INDIANA COUNTY ECONOMIC STATUS

Indiana is a rural County located in Western Pennsylvania. The County's 1990 population is 89,994, a 2,287 person, or 2.5 percent, decline from the 1980 population of 92,281. A total of 53.23 percent of the 1980 population were classified as low-to-moderate income by Housing and Urban Development Section 8 standards. The County is dotted with various small coal company built towns to the north, west and east and larger more developed towns to the south. The largest populated area is that of the centrally located County Seat, Indiana Borough, and surrounding White Township area with a total of approximately 30,000 in population. Central Indiana County currently supports the highest population density in the County and is the center of industrial, commercial and residential development.

Indiana County is currently experiencing 11.8 percent unemployment (March, 1991) the twelfth highest in the State. Indiana County has experienced the loss of over 1200 mining positions between October, 1987, and October, 1990, primarily attributable to the Rochester & Pittsburgh Coal Company, Indiana County's largest employer. An additional 1000 mining positions will be lost within the next three years in Indiana and surrounding Counties.

Over the last fifteen years, Indiana County experienced its lowest unemployment rate of 5.1 percent in 1976. The County unemployment rate continued to increase each subsequent year rising to a 1983 high of 16.7 percent.

Since 1980, the total civilian labor force reached a high of 37,700 in 1981 and has declined to 35,200 as of March, 1991, a 2,500 person decline. In addition, between 1980 and March, 1991, the number of employed persons in Indiana County declined by 2,700 persons from 33,700 to 31,000 and the number of unemployed increased by 200 persons from 3,900 to 4,100 persons.

As shown by these statistics provided by the Pennsylvania Office of Employment Security, the need to create projects which will increase employment is critical to revitalize Indiana County's economy.

PROBLEM STATEMENT

In 1983, Indiana County was faced with spiraling unemployment and a decreasing labor force. The ability to draw major employers to Indiana County had been hampered by the lack of completed infrastructure in an available Industrial Park and the absence of direct highway access. In addition, Indiana County's best economic development opportunity to grow was to nurture local new and existing industries and to encourage them to remain in Indiana County through the availability of a suitable physical location. The need to diversify Indiana County's economy through the creation and support of a diversified manufacturing base was readily apparent. The time to act was immediate. State and Federal sources were contacted to determine availability of funding to accomplish stated goals. Unfortunately, most funding sources required a committed developer prior to accepting an application for funding. However, a site could not be marketed unless water, sewer, and roadway facilities exist. Even if a committed business was found, the up to two year delay in actual infrastructure installation often resulted in the loss of that company's interest. Indiana County was faced with climbing unemployment and the inability to obtain funding.

EDA ASSISTANCE HISTORY

In 1984, however, on the basis of unemployment data provided by the U.S. Department of Labor, the U.S. Department of Commerce, Economic Development Administration, determined that Indiana County was statistically qualified for designation as a redevelopment area under Section 401(a)(8) of the Public Works and Economic Development Act of 1965, as amended. This qualification resulted from the County's having experienced unemployment which was both substantial and above the national average for the most recent 24 months for which statistics were available. In March, 1985, Indiana County was designated by official order of the Economic Development Administration as a redevelopment area under the Public Works and Economic Development Act of 1965, as amended. This designation was obtained through the creation of the Indiana County Economic Development Commission, a 30 member private/public sector body created to devise, coordinate and implement an economic development strategy for Indiana County and through the completion of an annual Overall Economic Development Plan. As a result, Indiana County became eligible to compete for financial assistance made available for all Economic Development Administration redevelopment areas for public works and business development projects.

In 1988, Indiana County was designated as eligible under the Economic Development Administration Title IX Sudden and Severe Economic Dislocation Program due to the loss of over 500 mining positions in Indiana County within a one year period. As a result, Indiana County was able to complete for additional Title IX funding.

The Indiana County Economic Development Commission has continued to meet since 1984 and has resulted in the creation of a Technical Committee which meets monthly to coordinate and implement activities. The Technical Committee includes the Directors of the Indiana County Chamber of Commerce, the Indiana County Development Corporation, the Indiana County Office of Planning and Development and Indiana University of Pennsylvania. In addition, the annual Overall Economic Development Plan is utilized as the primary economic development planning tool for Indiana County. The Plan sets each year's strategy and measures past accomplishments.

As a result of the intervention by the Economic Development Administration, Indiana County began to receive tremendous assistance through the Economic Development Representative, Mr. Anthony Pecone. Through Mr. Pecone's assistance and guidance, Indiana County began to set and accomplish realistic economic development goals with both Economic Development Administration (EDA) and Appalachian Regional Commission (ARC) funding.

INDIANA COUNTY'S ECONOMIC RECOVERY EFFORTS - EDA-ARC PROJECT FUNDING

1. New Business Start-Up

The need to encourage the growth of start-up business was apparent in Indiana County's economic recovery efforts. In 1986, through EDA funding provided under the Public Works Program, Indiana University of Pennsylvania received a $500,000 grant to create the Indiana County Small Business Incubator. The total $1,035,000 project included the renovation of approximately 60,000 square feet within an existing building. Operational in 1987 and currently managed by SPEDD, Inc., the Indiana County Small Business Incubator is currently at capacity with 14 business and over 135 employees. Two businesses have graduated to-date.

2. Existing Business Assistance

The need to support existing business was the second step in Indiana County's economic development strategy. In 1988, through funding provided by the Appalachian Regional Commission in the amount of $39,900, the Indiana County Business Development Service Center was created at a total project cost of $92,400. Since 1988, accomplishments include counseling 348 start-up companies, providing foreign export assistance to 26 businesses, providing tax abatement assistance and referring businesses to the availability of on-the-job training funds. In addition, through the provision of government contracting (procurement) assistance, 38 State and Federal contracts have been awarded locally totaling $2.4 million and creating 60 positions. Funding for the Business Development Service Center and Procurement Center has continued to be provided locally through the Indiana University of Pennsylvania and the Indiana County Chamber of Commerce.

3. New Business Recruitment

Indiana County required an innovative approach to business recruitment. The EDA and the ARC provided the guidance to obtain a $1.25 million grant to overcome the largest impediment to economic recovery - the provision of a suitable physical location without the requirement to obtain a committed developer.

Through the Title IX Sudden Severe Economic Dislocation Program, Indiana County proposed three activities to address the creation of 500 jobs over a two to five year period which would result in the re-employment of former mining workers and the diversification of Indiana County's industrial base. These activities included the development of the Indiana County Commerce Park, construction of the Indiana County Multi-Tenant Building, and the creation of a revolving loan fund. A total of 200 positions are anticipated to be created by these projects within the first two years.

The Indiana County Commerce Park Project proposed the development of 40 acres of Indiana County-owned property for industrial purposes through extension of water and sewer lines and new roadway construction. Businesses graduating from the Indiana County Small Business Incubator and new industries are anticipated to locate at the park and create 300 jobs over a two to five year period. Total project costs are estimated at $624,000.

Indiana County's job reduction has resulted in empty coal mines, not empty buildings. The County is subsequently experiencing both high unemployment and a severe shortage of vacant industrial buildings to market. In order to meet the needs of newly locating industries, new business start-ups and provide a facility to house Incubator graduates, development of the Indiana County Multi-Tenant Building was proposed. Construction costs are estimated at $990,000. A total of 100 jobs are anticipated to be created over a two to five year period.

In order to compliment the creation of the Indiana County Commerce Park and to assist other existing and new industries, the Indiana County Board of Commissioners also proposed the creation of a $250,000 revolving loan fund. This fund, which requires a 2 to 1 private match, will be utilized for new construction, expansion, equipment and working capital. A total of 100 positions are anticipated to be created as a result of these privately leveraged funds.

The total $1,864,000 project was funded in February, 1990, through EDA ($1,000,000), ARC ($250,000), and Indiana County ($614,000). Construction was initiated in Spring 1991 and is anticipated to be completed in spring, 1992. As a result of EDA and ARC assistance, Indiana County's first fully developed industrial park will have been created and 500 new jobs provided.

4. Roadway Development

In addition to these direct job creation activities, the Indiana County Board of Commissioners has been instrumental in the creation of the U.S. Route 119 Committee. The U.S. Route 119 Committee is a tri-County committee consisting of elected and appointed representatives from Indiana, Jefferson, and Clearfield Counties. The U.S. Route 119 Committee was organized in 1988 and sponsored a Route 119 Corridor Improvement Study in 1989 which identified critical areas along U.S. Route 119 for future improvements. The Committee has been instrumental in bringing PennDOT awareness to these critical areas and has resulted in a $1 million allocation by Governor Robert Casey in December, 1989, to complete preliminary engineering for widening of U.S. Route 119 to four lanes, with a fifth lane added for turning where necessary. This highway improvement project involves 8.6 miles of roadway from Homer City Borough to U.S. Route 22 near Blairsville Borough. The planned improvement to this transportation system is anticipated to play a major role in economic development in Indiana County. Governor Casey stated that over $20 million will ultimately be invested in U.S. Route 119 which he called "the economic lifeline to the entire region".

In order to further economic development growth, the ARC Local Access Roads funding is being sought to complete the Rose Street Extension Project. This project proposes the development of an approximately 5,000 lineal foot access road to provide a direct linkage between the Indiana County Commerce park roadway system and PA Route 286 and U.S. Route 119. By providing this essential linkage:

1. Approximately 30 additional acres will be opened for industrial purposes to the east of the Indiana County Commerce Park allowing the creation of an additional 200 industrial jobs.

2. The availability of direct access to an improved U.S. Route 119, which accesses U.S. Route 22 to the Pittsburgh market area, will aid in marketing and developing the expanded Indiana County Commerce Park Project. (The Indiana County Commerce Park currently accesses a secondary roadway.)

3. The Rose Street Extension Project will serve as a bypass to ease severe congestion currently being experienced by traffic (approximately 19,000 vehicles per day) attempting to link the two primary routes at the Thirteenth Street/Oakland Avenue intersection.

4. Will provide direct needed access to the Indiana University of Pennsylvania proposed recreation field area and to the Indiana County Transit Authority Terminal currently under construction. This extension is absolutely vital to the development of efficient public transportation services in Indiana County and to serve the new Indiana University of Pennsylvania facilities. A total of 35 additional jobs are anticipated to be created or retained through these projects.

5. Will improve highway access to the Indiana University of Pennsylvania owned Indiana County Small Business Incubator, currently supporting over 135 employees and anticipated to generate an additional 75 positions over the next three to five years.

The objective of the Rose Street Extension project is to create immediate substantial employment and future employment through roadway improvements to presently underutilized properties owned by Indiana County and Indiana University of Pennsylvania and through the provision of direct linkages with the County's north-south and east-west highway system. The total $2.5 million project is proposed to be funded by PennDOT ($1,083,000), locally ($950,000) and ARC ($500,000). The ARC application for Fiscal Year 1992 funding is pending and is essential to complete the proposed project.

Summary

As demonstrated by the above narrative, both EDA and ARC funding and administrative assistance has been essential in Indiana County's economic recovery efforts. The ARC and EDA commitments since 1986 totaling approximately $2 million has leveraged over $1.3 million in local investment. The proposed $500,000 ARC Rose Street Project will leverage an additional $2 million highway improvement project. In addition, over 200 jobs have been created to-date through the above projects and a total of 900 new positions are anticipated to be created within five years. Based on a total amount of $5,589,000 provided by EDA, ARC, other funding sources and locally, one job will have been created for each $6,200 invested.

Economic recovery for Indiana County will not happen overnight. Through the groundwork established by EDA and ARC through funding and staff assistance, however, Indiana County now has a strong foundation upon which to build a bright economic future. The Indiana County Board of Commissioners, Indiana County Chamber of Commerce, Indiana County Development Corporation and Indiana University of Pennsylvania strongly request continued authorization of the Economic Development Administration and the Appalachian Regional Commission to insure the success of current and future economic recovery efforts. Thank you.

INDIANA COUNTY
EDA AND ARC ASSISTANCE SUMMARY
1985-1991

1985	Indiana County is designated as a redevelopment area by EDA.
1986	Indiana University of Pennsylvania receives $500,000 under the EDA Public Works Program to complete the $1,085,000 Indiana County Small Business Incubator. 135 new jobs created as of May, 1991.
1988	Indiana County Chamber of Commerce receives a $39,900 ARC grant to create the Indiana County Business Development Center. $2.4 million in State and Federal contracts awarded to-date creating 60 jobs.
1988	Indiana County is designated as an eligible applicant under the Title IX Sudden and Severe Economic Dislocation Program.
1990	Indiana County receives $1.25 million through EDA ($1,000,000) and ARC ($250,000) to develop a 40 acre industrial park, construct a 35,000 sq. ft. Multi-Tenant Building and create a $250,000 revolving loan fund. The total $1.8 million project is anticipated to create 500 jobs.
1991	ARC application pending for $500,000 to complete the Rose Street Extension Project and create 200 new jobs. Total $2.5 million project.

SUMMARY

EDA/ARC Funding Committed or Pending:	$2,289,000
Local/Other Investment Committed or Pending:	$3,300,000
Jobs Created To-Date:	195
Total Jobs Proposed:	900
Total Monies to Job Ratio:	1 job created for each $6,200 invested

SUB COMMITTEE ON ECONOMIC DEVELOPMENT
JUNE 3, 1991

SUBMITTED BY
WILLIAM R. STEINER
EXECUTIVE DIRECTOR
NORTHWEST PENNSYLVANIA
REGIONAL PLANNING AND
DEVELOPMENT COMMISSION

The Northwest Pennsylvania Regional Planning and Development Commission, a non-profit corporation, was founded in July, 1967. The Commission is composed of locally elected officials and private sector representatives from the eight counties which comprise the Northwest Region: Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venango and Warren Counties.

The overall goal of the Northwest Pennsylvania Regional Planning and Development Commission is to provide for the improvement of the quality of life through the orderly growth and development of the constituent counties.

The two federal programs which have enabled the Commission to pursue this goal are the Appalachian Regional Commission (ARC) and the Economic Development Administration (EDA). The Northwest Commission was originally formed as a Local Development District (LDD) in order to serve as a conduit for ARC funding. In 1979, the Northwest Commission was designated as an Economic Development District by EDA.

As a result of the two programs, funding has been available for the social and physical development of Northwest Pennsylvania. In Northwest Pennsylvania, over $30,000,000 of ARC funding has been invested in water, sewer, infrastructure, roads, industrial parks, colleges, vo-tech schools, business incubators, hospitals, primary care facilities, and child development centers. These ARC funds have leveraged an additional $163,000,000 in direct matching funds. Often, ARC

WAS ABLE TO PROVIDE AN EXTRA FUNDING EDGE WHICH ULTIMATELY MADE A PROJECT FEASIBLE.

Most of the ARC funding for projects came to the Region during the 1970's. The draconian cuts of the 1980's severely limited the scope and types of projects which could be funded through the ARC program. In order to more efficiently focus the use of limited ARC funding, the Northwest Commission redirected its efforts into Enterprise Development. At the core of the Enterprise Development Program is the stimulation of economic development through the provision of assistance to small businesses. The program utilizes such tools as revolving loan funds, industrial and business incubators, infrastructure development, government procurement assistance, and export technical assistance. Through the Enterprise Development Program, over 8,000 jobs have been created or retained and over $58,000,000 in private funds have been leveraged for business development. Appalachian Regional Commission funding is at the heart of the Northwest Commission's Enterprise Development Program. Without ARC assistance, it is doubtful that the program could continue to exist in its present form.

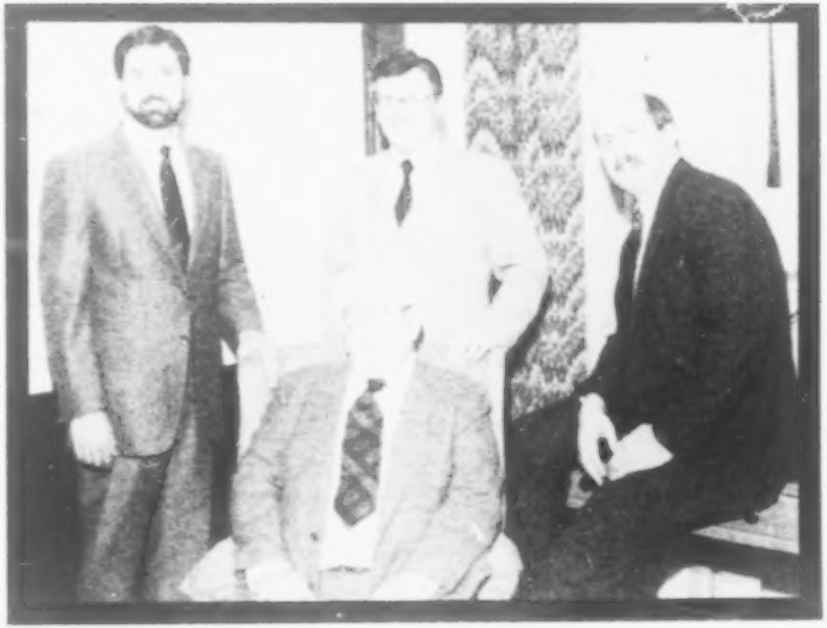
The Economic Development Administration also plays a crucial role in the economic development of Northwest Pennsylvania. As an Economic Development District, the Northwest Commission has been able to assist in the planning, development, and funding of economic development projects in Northwest Pennsylvania. The Economic Development Administration is one of the few sources still available for economic development public works funding in the Region. Over $11,000,000 of EDA funding for public works has been invested in Northwest Pennsylvania during the 1980's. This has leveraged over $13,000,000 in local direct match and resulted in 3,000 jobs. Without the EDA program, it is doubtful that this investment would have been possible.

Overall, the impact of the ARC and EDA programs in Northwest Pennsylvania cannot be overstated. During the 1980's, this Region experienced high economic distress and unemployment. The ARC and EDA programs have and continue to provide financial assistance to combat the Region's economic problems. They are two of the few remaining programs which can be used for economic development in rural areas. However, funding and program cuts continue to threaten the existence of these programs. Even during the peak of EDA and ARC funding in the 1970's, it can be reasonably stated that their impact in terms of the total federal budget was very small. Yet the impact in areas such as Northwest Pennsylvania is indeed very great. As such, the Northwest Commission urges the continuation of ARC and EDA with increased funding appropriations for both programs.

CREATING
Windows of Opportunity
IN NORTHWEST PENNSYLVANIA

NORTHWEST
PENNSYLVANIA
REGIONAL PLANNING
AND DEVELOPMENT
COMMISSION

1990
Annual Report



The Officers of the Northwest Commission (l eft to right) Samuel J. Wagner, William M. Reznor, and David E. Black, and (seated) Theodore E. Moonkern, extend their thanks to the Commission members for the outstanding level of support during 1990.

A MESSAGE FROM THE DIRECTOR

William R. Steiner

I am pleased to report that 1990 was a banner year in the activity taken on by the Northwest Pennsylvania Regional Planning and Development Commission to improve the competitiveness of companies in the region and to create or retain jobs. As you will read on these pages, loans, procurement contracts, export assistance were all up. We have also begun implementing our Matchmaker Program, our Geographic Information System, and a year ago, we began producing and distributing a quarterly publication, *Alliance* — to make the region's businesses more aware of the resources that are available.

Just as important as these quantifiable projects, however, is the less tangible service we endeavor to provide — a regional entity to address issues that affect northwest Pennsylvania. Transportation, infrastructure development, vocational skill development of the labor force, technical upgrade, and resource sharing are some of the issues that concern business throughout the region. We feel that we can achieve results in these and other areas if we work together on these mutual issues. When the quality of life is improved anywhere in northwest Pennsylvania, the quality of the entire region is improved. Together, we can achieve long-term goals.

We look further to continuing our efforts and raising the quality of business and the quality of life in northwest Pennsylvania.

Sincerely,

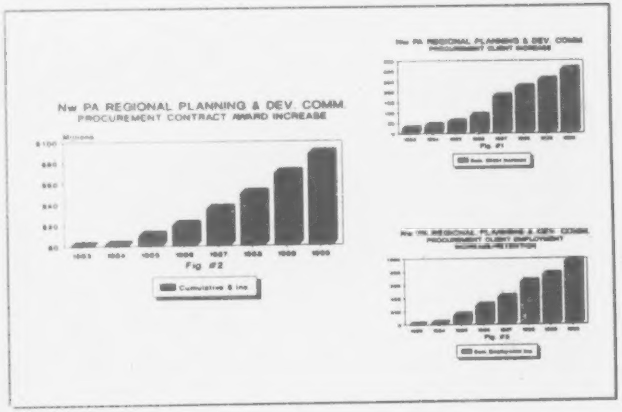
William R. Steiner

William R. Steiner
Executive Director

Federal Procurement Technical Assistance

Supported by the Pennsylvania Department of Commerce, the Ben Franklin Partnership Program Center, and the U.S. Department of Defense, the Northwest Pennsylvania Regional Planning and Development Commission assists companies in the region to do business with the federal government. The Federal Procurement Program takes qualified companies each step of the way, from getting started to getting paid. For companies considering the government as a customer, the Northwest Commission can determine the feasibility of such a pursuit with its computerized match-up network. It electronically monitors the Commerce Business Daily for 154 client companies, sorting through specific product names, key words, and bid opportunities and notifying the companies of opportunities. It also monitors a Small Purchase System for orders available from several federal agencies. It also subscribes to the National Standards Association Parts Master System, a compact disk system listing information on 17 million unclassified items the government purchases.

Richard Mihalic, Associate Director, directs the Commission's Federal Procurement Program. He is a member of the Board of Directors of the National Association of Government Marketing Specialists, and last year received a Certificate of Recognition from that Association.



Dianne E. McCartney, Procurement Assistant and Typist, continually updates the Northwest Commission's extensive data base on government procurement opportunities.

The Northwest Commission provides companies with assistance in completing government-required paperwork, such as the application for placement on the bidders' list, the bid itself, and, upon contract award, the Material Inspection and Receiving Report. It assists companies with "solicitation interpretation" to make them aware of special clauses and pertinent requirements. When a client receives notification of low bid, the Northwest Commission again assists the company to prepare for the pre-award survey, a government inspection that assesses the company's ability to deliver on the contract.

During the year, the Northwest Commission sponsors workshops, ranging from basic to advanced, covering such topics as preparation for pre-award survey inspections and quality assurance procedures. Client companies are surveyed annually to identify other appropriate workshop topics.

The Northwest Commission subcontracts a portion of its client counseling activities with the Small Business Development Centers at Gannon University and Clarion University, in order to provide companies with one-on-one on-site assistance. In 1991, the Northwest Commission plans to work with the School of Business at Behrend Campus of Pennsylvania State University to develop a special topics credit course for Business majors, to teach these students about doing business with the federal government.

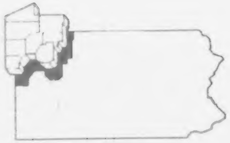
Anderson Metal Industries of Franklin, Pennsylvania, is a small company that serves the government market. Makers of fin assemblies and protective filters used in the construction of ships, Anderson's customers include the Navy and NASA. Anti-blast valves, pressure controls, and heat assemblies for ships account for approximately 75% of Anderson's total volume. Company President James G. Anderson says, "The Northwest Commission gives us access to military specification information in a timely matter, as well as leads found in the *Commerce Daily*." These leads sometimes result in additional government contracts for the company.

David E. Black, Clarion County Commissioner

"The Northwest Pennsylvania Regional Planning and Development Commission is a valuable asset to this part of the Commonwealth. We're eight small counties; by joining together regionally with common goals and objectives, we can accomplish some of the tasks facing us. All eight counties share common problems — particularly infrastructure development. We already have an excellent transportation advantage; when we have water and sewage lines at key interchanges, we will see greater economic development. The Northwest Commission keeps abreast of sources of funding for these purposes for Clarion County, and for all of northwest Pennsylvania. We'll continue to utilize the expertise of the Commission's staff to help our businesses."

Key employers in Clarion County are Strattan Homes, an established company with locations in Knox and Strattanville; Structural Modulars, Inc., an emerging, growing business; Clarion Technical Ceramics, a smaller high tech company with excellent potential; Good Tire; and Clarion Hardwoods, makers of specialty molding.

Rebecca C. Fox, Administrative Secretary, and Lisa M. Askins, Secretary/Receptionist, keep things running smoothly in the Northwest Commission office



Information Systems

Tanya M. Shimmons, Grants Research and Technical Specialist, the newest member of the Northwest Commission's staff, learns about computer information systems from Richard Novotny.

Quarterly Publication

In 1990, after receiving support for the idea from the region's County Commissioners, the Northwest Pennsylvania Regional Planning and Development Commission began publishing a quarterly magazine entitled *Alliance*, devoted to economic news and information for northwest Pennsylvania business and industry. During the year, this publication and other mailings have generated $30,000 in memberships for the Center for Enterprise Development. Industrial Development Authorities, legislators, manufacturers, utility companies, financial institutions, and other economic development agencies have supported this program. When matched with state and federal dollars, this amount leveraged approximately $100,000 in 1990 for economic development efforts, primarily the Commission's Revolving Loan Fund.

Geographic Information System

In March, William Steiner and Richard Novotny visited the Appalachian Regional Commission in Washington DC. Among other outcomes of that meeting was a decision to purchase the ARC Info Program, a geographic information system which is versatile, affordable, capable of growing with the region's needs, and tested by other government agencies. This system allows any number of maps to be overlaid electronically, in order to develop precise data useful for business and for economic development strategies. For example, information about roadways, rivers, utility lines, political or municipal boundaries, census data, available sites, zoning, SIC Code groupings, wetlands, and other information can be combined to create new ways of seeing the region. As an affiliate of the Penn State Data Center and a subscriber to Economic Census Information, the Northwest Commission has abundant data to feed this program.

Job creation and retention throughout the region is a major goal of the Northwest Commission. The region is beginning to see a diversification of industry and high-quality, stable jobs.

Matchmaker Program

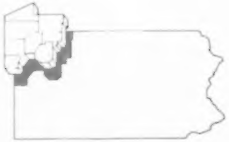
During the past year, the Northwest Commission set up a Matchmaker program, modeled after the already successful program developed by other regional economic development agencies in the nation. This program will facilitate pinpointing regional buying activities, and identifying opportunities for companies in the region to find purchasers for their goods and services as well as sources of goods and services to purchase. The program was first announced in the fourth quarter edition of *Alliance*. SEDA-COG, a regional agency located in central Pennsylvania, has applied for a grant that would carry the program statewide, and the Northwest Commission will participate in that effort as well.

Samuel J. Wagner, Forest County Commissioner

"Forest County has benefitted from the assistance, particularly the Appalachian Regional Commission funding, the Northwest Commission has been able to access for us. Our Rural Public Transportation Program is a regional success story. Through ARC funds we received through the Northwest Commission we consolidated the fragmented transportation that had been handled by various agencies. Vans now transport the elderly, persons on medical assistance, and the general public throughout the region, and provide specialized travel services for those with individual needs.

"In our retail and manufacturing base, the Northwest Commission has helped companies find low-interest loans. The Kelly Hotel, in Marienville, for example, is an older business which was renovated by new owners with the help of a low-interest loan. International Kitchens, a manufacturer and one of the top five employers in the County, relocated here with the help of a low-cost expansion loan when they ran out of room in their previous location and found that a former glass factory here met their needs.

"We're a less populated county than the others in the region and we have fewer manufacturing entities. Our economy rests heavily on public-funded jobs in the U.S. Forest Service, the Army Corps of Engineers, the State Game Commission, the State Police, the Department of Transportation, the Fish Commission, the schools, and county government. Consequently, as important as the funding we receive is Forest County's need for interaction with the other counties. In northwest Pennsylvania, we have one of the largest contiguous rural areas in the state. More than ever, there is a need for rural counties to work together, to raise an awareness of rural problems, and deal with the rural issues facing us. We look to the Northwest Commission to be that link."



Ned Goucher, Senior Planner

Jacqueline A. Egger, Fiscal Assistant, Linda S. Toy, Accountant, and Christine Waddell, Assistant Accountant, review accounting reports.

Grants and Public Works

During 1990, the largest grant packages were earmarked for infrastructure development and multi-tenant facilities. The Northwest Commission helped to obtain these grants with funding received from the Appalachian Regional Commission and the U.S. Economic Development Administration.

- The Crawford County Industrial Park is located in the abandoned Avtex factory, a facility in Meadville which encompasses 33 acres of buildings. In 1989, a $298,500 ARC grant was awarded, and in 1990 funds were received by the Park to install heating, wiring, and other renovations. In 1990, another $1 million from EDA was awarded for improvements to a portion measuring 400,000 square feet. Several manufacturers are already located in the complex, which is being renovated in stages.

- The J. Robert Baldwin Industrial Park in Summit Township, Erie County, received $280,000 to develop an access road to Exit 6 of Interstate 90. This new park opened its doors during 1990.

- The St. Vincent Hospital Day Care project in Erie, Erie County, received $13,657 for administration and equipment. The hospital is expanding its day care program for employees.

- The Continuing Care Retirement Study in Warren, Warren County, received $10,000 to study the Rouse Home. The facility is no longer used as a retirement home, and ways are being identified to use it to provide other services for the elderly.

- The Oil City Industrial Park in Oil City, Venango County, received $102,050 for a fire protection system this year. Last year, this park received funds to develop a water system.

- The Conrail Car Repair Shop Study in Meadville, Crawford County, received $5,000 for a marketing study to develop ideas to find a buyer for this abandoned property.

- The Technical Assistance for Ailing Business Project received $100,000 for regionwide assistance for loan clients. This grant, being matched by the Industrial Resource Center, will identify Northwest Commission loan recipients who are in arrears on their loan payments, and provide them with managerial and financial guidance provided by the IRC.

County Liaison

- The Northwest Commission has filed an application with the Pennsylvania Department of Transportation for a grant to conduct a Transportation Study. This study would develop a 12-year highway economic-development related plan for Clarion, Crawford, Forest, Venango, and Warren Counties. It would study the goods movement flow of the highways in these five counties, identify the roads presently used, the obstacles encountered, and recommend improvements. It will involve a committee comprised of planners, industrial development specialists, representatives of business, and private carriers.

- A four-county Solid Waste Study is near completion. It will determine the future of solid waste disposal and identify potential sites for Venango, Forest, Clarion, and Crawford Counties. The Northwest Commission staff participated in guiding this effort.

- The Heritage Park Program is working on tactics for developing tourism in the Oil Creek valley region which includes Crawford and Venango Counties. Ned Goucher, Senior Planner for the Northwest Commission, is on the advisory board of this committee.

- Erie Metropolitan Regional Services Study, under an ARC grant received two years ago, is investigating ways to supply services (water, sewer, police, cultural) to municipalities in Erie County on a unified basis.

- Downtown Center Program is a vehicle for representatives from downtown areas to gather and discuss common problems such as revitalization. The Northwest Commission is the coordinating agency for the northwest chapter, which meets quarterly.

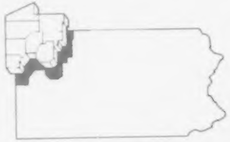
- The Recreation Study is funded under a contract with the Pennsylvania Department of Parks to develop a regional recreational plan to be incorporated into a statewide recreational plan. The Northwest Commission is conducting this study, and, through public meetings, will identify recreational issues and develop a regional recreational implementation strategy.

- As an affiliate of the State Data Center, the Northwest Commission receives census data and supplies this information to governmental agencies and businesses in the region.

David Glenn, Crawford County Commissioner and former Chairman of the Northwest Commission:

"When I find local business people who are struggling with financial/funding program questions, my first telephone call is to the Northwest Commission. It's the best source for questions of importance to new and expanding companies, and the people at the Northwest Commission do an excellent job of following up so that the companies understand what funding streams are available and how to access them.

"If I'm aware that a project is coming up, I recommend that the Northwest Commission become involved. In Crawford County, our most notable current project is the revitalization of the AVTEX plant which is creating several hundred new jobs. It's a series of successes just waiting to happen."



Dale F. Massie, Associate Director

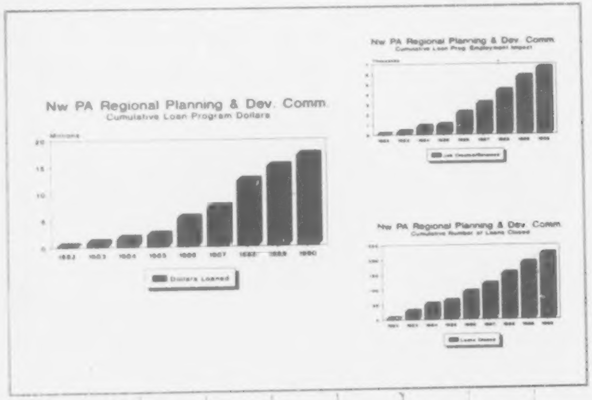
Susan L. Caryl, Loan Servicer and Secretary, and Michelle A. Backer, Finance Specialist, review a loan that Caryl has closed after Backer packaged the loan application.

Loan Programs

1990 was the Northwest Pennsylvania Regional Planning and Development Commission's record year for processing loans. The Northwest Commission completed 33 small business expansion projects, bringing to a total 225 loans for businesses in the region since the inception of this service in 1982. These projects represent $18 million in funds from the Northwest Commission and other public sources. Through these projects, businesses in northwest Pennsylvania have been able to create 1191 new jobs and retain 948 existing ones. The cost incurred by the Northwest Commission for providing this service has been significantly low — approximately $3200 per project.

The Northwest Commission provides access to many state and federal loan programs, including those of the Farmers' Home Administration, the Small Business Administration, the Pennsylvania Department of Commerce, Pennsylvania Capital Loan Fund, Pennsylvania Department of the Treasury, Appalachian Regional Commission, and Economic Development Administration. The Economic Development Administration and the Appalachian Regional Commission provided the seed funding for the Commission's Small Business Finance Program. The Economic Development Administration provided a $500,000 grant in 1983 for a Regional Revolving Loan Fund Program, which required $166,666 of Commission matching funds. Subsequently, the Commission secured a $400,000 EDA-RLF grant with $125,000 of matching funds.

In 1981, the Appalachian Regional Commission funded a $240,000 Northwest Commission Regional Revolving Loan Fund. The Commission's Appalachian Regional Commission and Economic Development Administration Revolving Loan Programs have invested over $3 million of grants and repayment funds to finance 101 small manufacturing projects. The total cost per job for EDA and ARC-RLF Programs is under $1200.

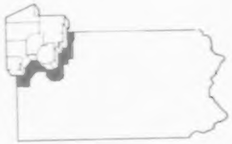


The Northwest Commission conducted a one-day Small Business Financing Seminar for regional bankers, accountants, and economic developers. Federal, Commonwealth, and regional lenders delivered presentations to seminar attendees. The Northwest Commission and county industrial organizations have developed a county packaging agreement to enhance the Commission's Small Business Finance Program. Under the terms of the agreement, the County Packaging Organizations and the Northwest Commission formally coordinate efforts to package small business expansion projects. The CPO Program has increased the number of loan applications, enhanced the quality of loan packages, and increased technical assistance to small business finance programs.

During 1991, the Commission will conduct a small business financing seminar and seek recapitalization of its Revolving Loan Fund Programs. The Commission's Small Business Finance Program is a key incentive for the expansion of small businesses within the region.

A great deal of the success of the program is attributable to the efforts of the Uniform Region 9 Certified Development Company Board of Directors, which is the loan review committee for the Northwest Commission. The majority of this board is comprised of volunteers from private industry and lending institutions appointed by the Chairman of the Northwest Commission, representing the eight-county region. The members meet monthly to review loans, and each member contributes approximately 60 hours each year to this effort. Pictured are Robert J. Rozell, Jay O. Noel, John W. Magee, David E. Black, J. Phillip Sawyer, and R. Lee James. Also (inset) Joseph C. Janke and David K. Galey.

Loan activity is based on creation and retention of jobs, particularly in the manufacturing sector. Manufacturers in the eight-county region provide excellent jobs that bolster the economy.



Victor C. Leap, Executive Director of the Meadville Area Industrial Commission:

Victor C. Leap, Executive Director of the Meadville Area Industrial Commission, is the man who envisioned the revitalization of Meadville's Avtex Plant and who has spearheaded its renovation. Avtex, a 1,400,000 square-foot abandoned textile manufacturing facility, was an empty eyesore two years ago. Today, renamed the Crawford County Industrial Park, 400,000 square feet of renovated space are already leased to several smaller manufacturers, providing 250 quality jobs. The entrance is refaced, the rail lines are rebuilt, a three-story office is under construction, loading docks are being renovated, parking lots are being improved, and city water and sewer lines are connected. Leap estimates that the Park will provide 650 jobs within three years.

The companies that have moved into the facility bring brand new industries to the region from other parts of the world. Two companies, Mayplex and Northern Design, relocated to Meadville from Canada; one, Bilok Ihara Inc., is from Japan; and another, Andover Industries, (pictured)is from Ohio. These companies were attracted by the assistance they could access in financing their businesses, and in the quality labor force available.

How could Victor Leap have the confidence to take on a 33-acre building and hope to create a successful multi-tenant facility? He had already successfully renovated the former Talon plant into the Meadville Industrial Condominium and filled it to capacity with 28 new businesses; he has also renovated the Academy Theater in Meadville, the Downtown Mall in Meadville, the Baldwin Street Industrial Park, the 4th Ward Industrial Project, and the Railroad Maintenance and Ways Shop. He says, "Ten years ago, the Northwest Commission did a study showing that the Meadville area would be a growth area. Although we had lost some major businesses and experienced cutbacks, we're located on an excellent transportation route, and we have a good supply of trained workers — people who once worked in these plants and could come back to new ones. There was potential, and I had faith in the area."

"In Pennsylvania we have excellent sources of revenue for businesses. We've taken advantage of the state's loan funds to build packages for interested industries. Most of the industries in this facility [Avtex] have used state loans, particularly the PCLF, that were handled through the Northwest Commission."

Avtex, a 1,400,000 square-foot abandoned textile manufacturing facility, was an empty eyesore two years ago. Today, renamed the Crawford County Industrial Park, 400,000 square feet of renovated space are already leased to several smaller manufacturers, providing 250 quality jobs.

Equity Investment

Equity investment is a noteworthy endeavor of the Northwest Commission during the past year. For the first time in its history, the Northwest Commission filed application with the Office of Community Services of the U.S. Department of Health and Human Services, for venture capital in Classic Player Piano Corporation of Seneca, Pennsylvania.

Owner Edward E. Keefer, a native of Venango County, is also the plant manager for this growing operation. Classic Player is the only manufacturer of traditional roller-type player pianos in the United States, making them under their own label as well as under Baldwin and Wurlitzer labels. The company is investigating new product lines, including a coin-operated version of its player piano.

Classic Player presently employs 46 people, and expects that number to increase within 18 months when it goes to a three-shift plant operation. The company utilizes as many Pennsylvania products as possible in its manufacturing processes, and uses Pennsylvania hardwood exclusively for the pianos. Ninety-three percent of the company's sales are made outside the state, bringing revenue into Pennsylvania. It is one of the nation's fastest-growing firms in the piano industry.

Classic Player is a four-year old manufacturer of player and acoustic pianos. During 1990, the company underwent restructuring as it expanded its product line and acquired Story and Clark Pianos.

Judy Lynch, Erie County Executive, toured Trost Sheet Metal Works, Inc. of Erie with Company President Mary Malatesta. With the help of the Northwest Commission, the Trost Company utilized several economic development programs and has made major improvements and has expanded considerably in the past few years. As a result it has become more productive, has increased sales volume dramatically, and tripled employment. Lynch said:

"Erie is the region's largest, most populated, and active county in terms of grants and loans. The Northwest Commission has been instrumental in developing the Bundy and Baldwin Industrial Parks, the Erie and Girard incubators, as well as numerous other projects, such as Trost Sheet Metal, and has brought millions of dollars into Erie County. I praise the Northwest Commission's team approach and working together for goals."

Export Assistance Program

Working with the Foreign Commercial Services of the U.S. Department of Commerce and the Pennsylvania Department of Commerce, the Northwest Pennsylvania Regional Planning and Development Commission assisted dozens of companies in the region to be represented at Council of American States in Europe (C.A.S.E.) Trade Day Events in Denmark, Sweden, West Germany, Israel, Egypt, and other countries. These events permit states with foreign offices in Europe to show product literature to agents and distributors who may be interested in marketing such products throughout the continent. Although each state may represent a maximum of 50 companies at each event, an average of twelve companies from the eight counties of northwest Pennsylvania were represented at each of these events during 1990.

The Northwest Commission worked or is working on helping companies to be represented at important trade shows, including the Hannover Trade Fair in West Germany for electronic components in April, 1991; Expoplast '90 in Montreal, Canada for the plastics industry in October, 1990; the Hong Kong Fair for all industrial instrumentation and machinery products in November, 1990; and Interzum in Germany for the wood industry in April, 1991. The role of the Northwest Commission is to recruit companies who wish to be represented by Pennsylvania, help companies prepare for the trade show, assist companies to respond to sales leads, and when sales are made, to provide the required technical assistance.

The Northwest Commission has begun developing improved ways to track sales leads being generated for the region. Lead tracking has been difficult to quantify because of time lags, company confidentiality factors, and lack of access to individual company lead activity. Comptech, a new computer system to provide leads captures key words, rather than SIC Codes. Followup is also being studied to determine how companies respond to leads.

Janet S. Anderson, International Trade/Finance Specialist

Jonathan H. Hutchinson, Venango County Commissioner:

"The Northwest Commission serves as a clearinghouse for the assistance that industries need. Our Franklin incubator and the Oil City Industrial Park have both reaped considerable benefit from the efforts of the Northwest Commission. Presently the Northwest Commission is involved in the final stages of getting the Industrial Park in Sandy Creek Township up and running. I'm hoping to see a similar revitalization of the glass plant in Oil City."

	Companies participating in trade shows	Companies on trade lead search database
1988	unknown	unknown
1989	4	147
1990	13	297

The number of companies benefitting from the Export Assistance Program has increased dramatically.

Another aspect of the Export Program is Technical Assistance. Janet Anderson, the Commission's International Trade Specialist, visited companies and provided assistance in explaining the export process, completing paperwork such as *pro forma* invoices, determining needs for export licenses, identifying joint venture opportunities, and other related matters.

Joint Venture and Licensing Assistance is provided through the Northwest Commission under the auspices of the Bureau of Investment, a branch of the Pennsylvania Department of Commerce. These efforts bring foreign companies into Pennsylvania, create joint ventures, and license technology-sharing between Pennsylvania and foreign firms, and in the long run, make northwest Pennsylvania companies become more competitive.

A Comprehensive Strategy for Economic Development to Facilitate Growth of Innovative Business Via U.S.-Canada Free Trade Agreement has begun and will be released early in 1991. This study is being prepared by the Growth Strategies Organization of Reston, Virginia, a consulting group selected by a committee representing the eight-county region. The project is being coordinated by the Northwest Pennsylvania Industrial Resource Center with a CERP grant received by the Northwest Commission for two purposes:

- To develop new and expanded markets for the region's manufacturers in the Province of Ontario, and

- To encourage Ontario-based manufacturers to establish production facilities in northwest Pennsylvania.

The Northwest Commission is also serving in an advisory capacity on the project.

Phil Sawyer, Member of the Loan Board of the Northwest Commission and Member of the Lawrence County Economic Development Authority:

"Being on the loan board has been a revelation to me in how much work the Northwest Commission does, not only the loan committee, but the other committees, also. The loan board implemented action for six companies in Lawrence County last year, for projects amounting to $490,000 in PCLF dollars and leveraging another $1,200,000 in private funds. These projects are significant for Lawrence County because they mean that 600 jobs will be created or retained in a county with a population of only 100,000. These projects are also important because they represent diversification. Lawrence County's main industrial focus has traditionally been in the steel and metal industries, but these six projects represent a range of other industries."

- *Berner International Corporation, a manufacturer of air curtains for loading docks, supermarkets, airports, and so on, expanded its plant.*
- *Central Tractor Farm and Family Centers built a new warehouse to facilitate the distribution of home improvement and farm products to 57 retail stores.*
- *Direct Image Copy Systems expanded to a new building with more modern offices to distribute its line of copier, facsimile machines, and other equipment.*
- *Environmental Lab Services Group, a consulting group to help companies handle environmental problems, with headquarters in New Castle, expanded into another state.*
- *Interchange Specialty Services, a new spinoff business, repairs rail cars.*

Keystone Industries Window and Door Systems, a startup relocating from another state, supplies large businesses and the government with window and door systems.

Larry Reichard, Executive Director, Penn Northwest Development Corporation in Mercer:

"If those of us out here in the counties tried to deal directly with Harrisburg, Harrisburg would have their hands full and so would we. Instead we have the Northwest Commission in the middle, with a good handle on the pulse of northwest Pennsylvania and serving as a coordinating agency connecting us with Harrisburg. The Northwest Commission is a conduit with a good understanding of the economic development needs of northwestern Pennsylvania. It coordinates programs without being bureaucratic, and is the basis for a good service delivery system.

"The Northwest Commission has also been a support system for many critical issues we've faced in the last five to ten years — ranging from the decline in the economy to the tornado relief system. We don't need new programs; we need only efficient delivery of services. It is my impression that the Northwest Commission is in perfect position, experienced, and efficient to consolidate and deliver many of these services.

"Pyramid Fitness, Bryan Crystal, and Penntec are three examples of the diversification that is building in the region. In the past we lost thousands of jobs when just a handful of companies closed between 1982 and 1986. Although we have experienced substantial gain in manufacturing and employment in recent years — we're up 3,000 manufacturing jobs in Mercer County since January, 1987 — the new diversified companies are rebuilding the county. They're taking risks, moving into new areas."

William Reznor, Mercer County Commissioner:

"Turfism can be a problem, particularly when it separates towns within our county. The Northwest Commission is a vehicle for sharing mutual issues that affect the towns within the county and the counties nearby. It has created a joint partnership between the private and the public sector and is the regional entity that provides one-stop shopping for companies interested in setting up business in Mercer County or the other counties, locating private banking dollars as well as state and federal programs that can help the companies.

"When the quality of life is advanced in Mercer County or anywhere in northwest Pennsylvania, the entire region is improved. For example, people may hold jobs in Venango County and live in Mercer County, and both counties benefit. It is my opinion that many efforts, from marketing tourism to developing infrastructure to establishing waste dumps could be more effectively handled regionally, than county by county. By finding commonalities instead of differences, and by mobilizing funds, strategies, and talent, we can achieve long-term goals. We already see a decreasing role of Washington in providing funding for us, and should state programs become defunded, we should be in a position to manage the resources we have. The Northwest Commission is already in place to serve as a catalyst for solving these joint concerns and issues. It is an excellent opportunity for our future."

Bryan Crystal recruited apprentices from Ireland, developed new laser technology, built a factory in Sharon, Pennsylvania, and now competes in the international market against Waterford Crystal.

PennTecQ, Inc., located in the Greenville Reynolds Industrial Park, is a division of R.D. Warner and MKK Ltd., of Osaka, Japan, manufacturers of aluminum and aluminum extrusions. The Penntec Division makes guide rails for passive retraint seat belts used in today's vehicles. The plant is currently erecting a 40,000 square-foot expansion plant.

Pyramid Fitness is a newer company located in Mercer County. President of Pyramid, Gene Kirila, a former football player, had suffered so many broken bones and injuries and spent so much time in rehabilitation in his life that he began to suggest ideas for equipment improvement to his doctors. Finally he started building wellness equipment, first in a converted cattle barn, then in the Shenango Valley Racquet Club. Now Kirila has developed a national market for his equipment and accompanying corporate wellness programs. Kirila received support for developing his business through Penn Northwest Development Corporation and the Northwest Regional Planning and Development Commission.

Pyramid Fitness owners: Jay Leipheimer, Vice President of Operations; Ed Pryts, President of Marketing; Gene Kirila, President of Operations; and Jim Lupikas, President of Pyramid Plastics.

Alex Fino, President of the Warren County Chamber of Commerce:

"Through the Chamber of Commerce and also through my own real estate business, I've found that the Northwest Commission is a tremendous help to our county. The people at the Northwest Commission know about all the available loan programs, and they know where to get the answers for all the related questions — environmental, educational, transportation. Their educational seminars, such as the one on financing, are outstanding."

Timothy E. Greenlund, Warren County Commissioner:

"When anyone is interested in starting a business, expanding their company, or transferring to a new facility, the Northwest Commission can explain the information they need to know about low-cost loans and other information that is tremendously beneficial. Although the Northwest Commission is generally associated with assisting manufacturing, I'd like to point out that retail and commercial businesses in Warren County have also received assistance. Today, for example, I enjoyed having lunch at the Jefferson House Restaurant, a dormitory which has been renovated into a quaint pub here in Warren. This restaurant received assistance through the help of the Northwest Commission."

Harry R. Boekeloo,
President of G&R Machine Company

G&R Machine of Warren, Pennsylvania is a four-year old company which has used the services of the Northwest Commission to access loans twice — once when it started up and again during 1990 when it acquired a new numerical control machine. Both times, Company President Harry F. Boekeloo, also worked with the Warren County Chamber of Commerce and the Small Business Administration to prepare and update his company's business plan. Boekeloo was pleased that these organizations are a network communicating to help businesses to grow. G&R employs 16 people.

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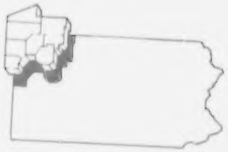

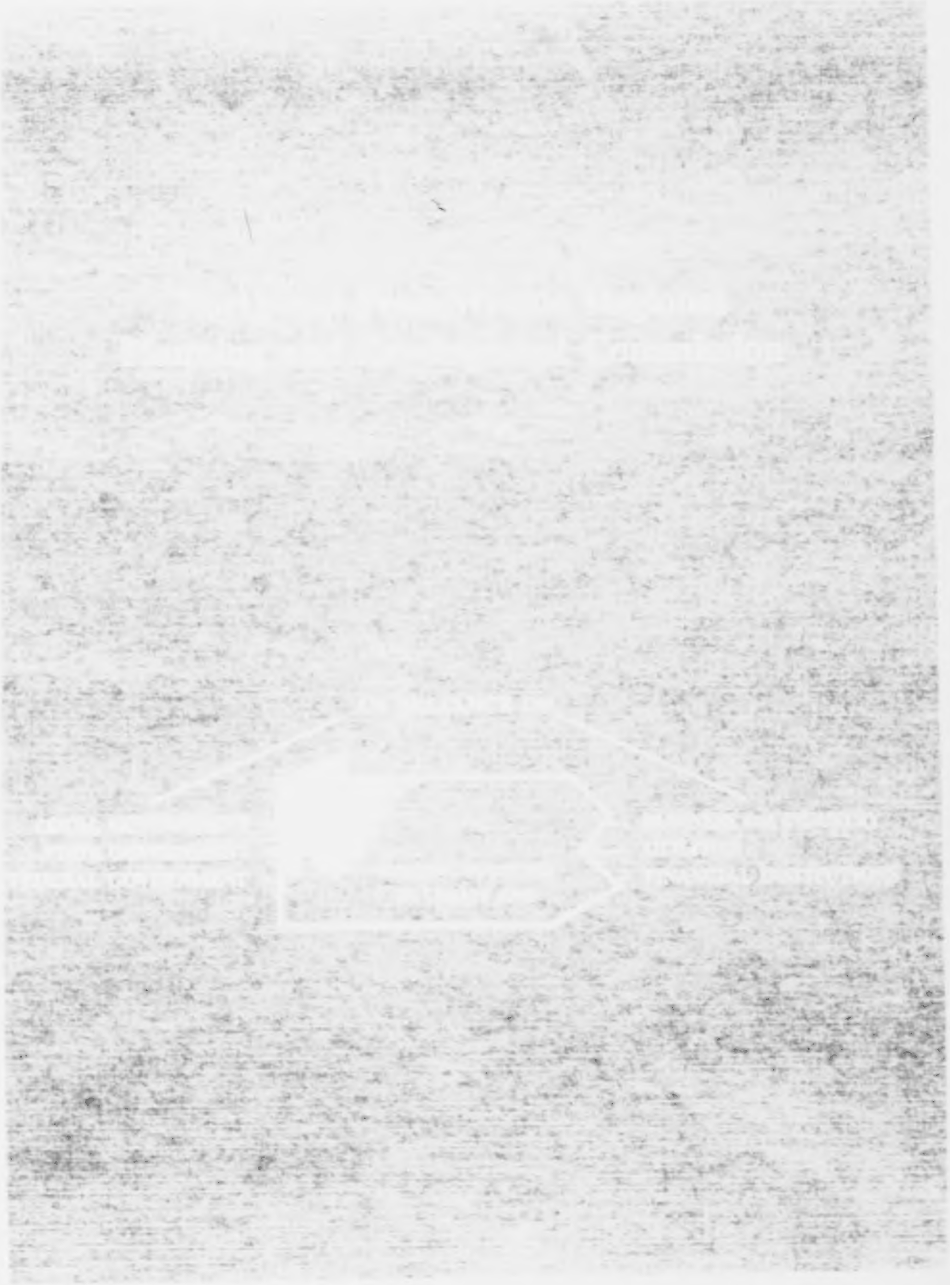

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I. ORGANIZATION AND PURPOSE

ORGANIZATION

The Northwest Pennsylvania Regional Planning and Development Commission, a non-profit corporation, was founded in July, 1967. The Commission is composed of locally elected officials and private sector representatives from the eight counties which comprise the Northwest Region: Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venango and Warren Counties.

Commission membership includes:

County Commissioners (Except Erie)	21
Erie County Executive & County Council	3
Third Class Cities	11
First Class Township	1
County Borough Associations	8
Second Class Townships	8
At-Large (Private Sector and Regional Citizenry)	25
TOTAL	77

The Commission appoints an Executive Committee which is comprised of 25 members. The Commission meets three times annually (January, July and October); the Executive Committee conducts business during the other nine months of the year.

PURPOSE

The overall goal of the Northwest Pennsylvania Regional Planning and Development Commission is to provide for the improvement of the quality of life through the orderly growth and development of the constituent counties.

During the 1970's and more so in the 1980's, Northwest Pennsylvania's economy has been in transition. A declining manufacturing base, coupled with a recession in the early 1980's, continued to have profound consequences on the Region's economy. Major problems confronting the Region are unemployment, displacement of workers and loss of business and industry.

In an effort to reverse and offset these trends, the Commission plays an important role in the economic future of Northwest Pennsylvania. The Commission is most effective in its ability to interact and work in unison with local government, the Commonwealth of Pennsylvania, the Federal government and the private sector. Actively seeking to improve the economy of the Region through the expansion of the business sector, the Commission is involved in an array of economic development programs and projects in order to stimulate private sector job creation.

II. NORTHWEST COMMISSION PROGRAMS

LOAN PACKAGING

The Northwest Commission offers a variety of low interest financing instruments which will fund small business expansion projects. Since the inception of the Northwest Commission's Small Business Financing Program, approximately 200 small businesses have received $15 million dollars of low interest fixed rate Federal and Commonwealth financing. A majority of these projects financed by the Commission's Small Business Financing Program have involved additional public and private financing.

Loan proceeds can be used for land acquisitions, construction, renovations, purchase of machinery and equipment and working capital. All private for profit entities qualifying are required to finance a minimum of 10 percent of the project cost through the resources of the business. On projects involving bank financing, the Commission takes a subordinate collateral position.

GRANT PACKAGING

The Commission provides grant packaging services to Northwestern Pennsylvania on programs which provide the infrastructure necessary to sustain and expand the Region's economy. The Commission as an organization, along with its professional staff support, maintains the Region's eligibility to enjoy the grant opportunities available through the Appalachian Regional Commission and the United States Economic Development Administration.

As a certified local economic development district, the Commission assists communities with the funding of programs and facilities that contribute to the creation of long-term private sector jobs. Grants injected into the area reflect a balanced approach to economic development and transcend the major categories of planning concerns including industrial development, public works, infrastructure, education, recreation, health care, transportation, housing and environmental cleanup.

PROCUREMENT ASSISTANCE

The federal government purchases nearly $250 billion worth of goods and services every year. In order to help local businesses and industries tap into this market, the Commission operates a Procurement Assistance Center. Available assistance includes identification of prime and sub-contracting oppourtunities, placement on agency bidder's mailing lists, providing military and government drawings and specifications, interpreting bid package requirements, quality control requirements and pre-award survey requirements. In addition, the Commission provides training through various workshops, procurement fairs and actual trips to government buying agencies.

EXPORT ASSISTANCE

The Northwest Commission's Export Trade Development and Assistance Program provides individualized export information and assistance to regional businesses who are new to export or expanding their current international markets. The Northwest Commission's export specialists can act as a firm's direct access to trade shows, seminars, trade information, regulations, foreign market statistics and correspondence to foreign commercial posts and businesses abroad. The program also provides a close relationship with the Pennsylvania Department of Commerce's Bureau of International Trade and the United States Department of Commerce's International Trade Administration.

OTHER

As the business climate in the Region is constantly changing, so must our obligations to react to these changes, and we are constantly looking for new ways to create or attract new businesses. The Commission provides the mechanism whereby the eight counties and local communities can pool their limited resources to hire the highly skilled development staff necessary for a comprehensive development program. Since its beginning, the Commission has been involved with innovative programs which individually would be beyond a sole community's financial capabilities:

Regional Industrial Marketing
Regional Tourist Promotion
Entrepreneur Training
Employee Ownership Technical Assistance
Transportation Planning and Development
Emergency Medical Services
Local Government Management Training
Recreation and Environmental Planning
Regional Data Services
Project Review

III. SUMMARY IMPACT BY COUNTY

CLARION COUNTY

LOAN PACKAGING

Clarion County	Lender	NWC Amount	LNDR Amount
1. CFM, Inc.	1st United National of Fryburg	$ 95,000	$ 77,000
2. Canaan Construction Company	1st Federal S & L	12,000	15,000
3. Clarion Hardwoods	Farmers Bank - Emlenton	24,000	30,000
4. Clarion Technical Ceramics, Inc.	New Bethlehem Bank	80,000	80,000
5. Gallagher's Plaza	No Lender	13,000	- 0 -
6. JTM Records	1st Seneca Bank	24,000	25,000
7. Natures Blend Wood Products, Inc.	Keystone National	10,000	12,000
8. Seven Seas Mfg. Ent.	New Bethlehem Bank	60,000	48,000
9. Seven Seas Pools	New Bethlehem Bank	50,000	50,000
10. Space Hardware	1st Seneca Bank	35,000	15,000
11. Strattan Homes	1st Seneca Bank	150,000	364,240
12. Tharan Construction	1st Seneca Bank	8,000	10,000
13. Town and Country Cleaners	1st Seneca Bank	37,500	87,000
14. Tri Tire, Inc.	1st Seneca Bank	16,000	20,000
15. Windor, Inc.	New Bethlehem Bank	48,000	60,000
TOTAL		$ 662,500	$ 893,240

GRANT PACKAGING

Clarion County	ARC/*EDA Grant	Leveraged Funds
1. Clarion County Access Road - Cook Forest	$ 498,750	$ 838,127
2. Clarion State College - Research Learning Center	250,000	2,194,070
3. Clarion Osteopathic Hospital	100,000	800,000
4. Tom's Run Watershed Project	36,328	12,109
5. Upper Paint Creek Watershed Project	100,593	33,532
6. Clarion County Airport	89,421	709,592
7. Clarion College - Flexible All Year School Program	40,637	215,301
8. Clarion County Vo-Tech	1,285,580	3,076,793
9. Knox Borough Water Project	309,440	77,360
10. Rural Public Transportation Demonstration Project	197,217	65,738
11. Interstate 80 Interchange Development Study	11,160	4,783
12. Strattanville Area Public Sewage	600,000	1,587,700
13. Clarion Osteopathic Hospital Access Road	264,800	96,200
14. Clarion County Route 66 Corridor Study	10,682	4,578
15. Medardo Estates Housing	80,000	758,570
16. EMS Communication System	43,018	14,339
17. Clarion Area Highway and Traffic Circulation Study	17,598	7,542
18. Cook Forest Sawmill Center	100,000	66,737
TOTAL	$ 4,035,224	$ 10,563,071

PROCUREMENT ASSISTANCE

Clarion County

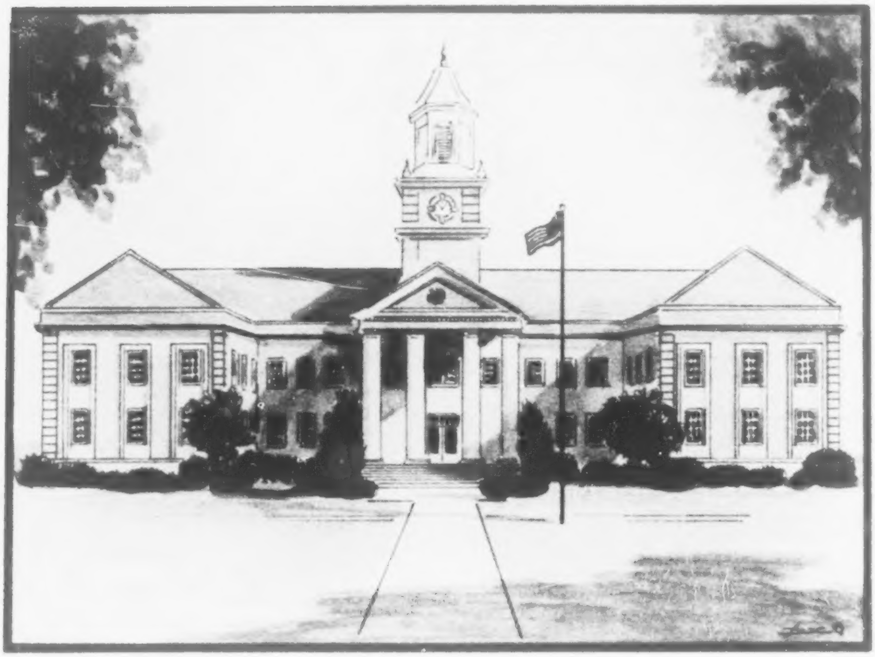
1. Allegheny Power Products
2. Kan-Kote, Inc.
3. Keystone Engraving
4. Sealy Mattress Company
5. Stewart Laboratories

EXPORT ASSISTANCE

Clarion County

1. Clarion Hardwoods
2. Kan Kote, Inc.

CRAWFORD COUNTY



PROCUREMENT ASSISTANCE

Crawford County

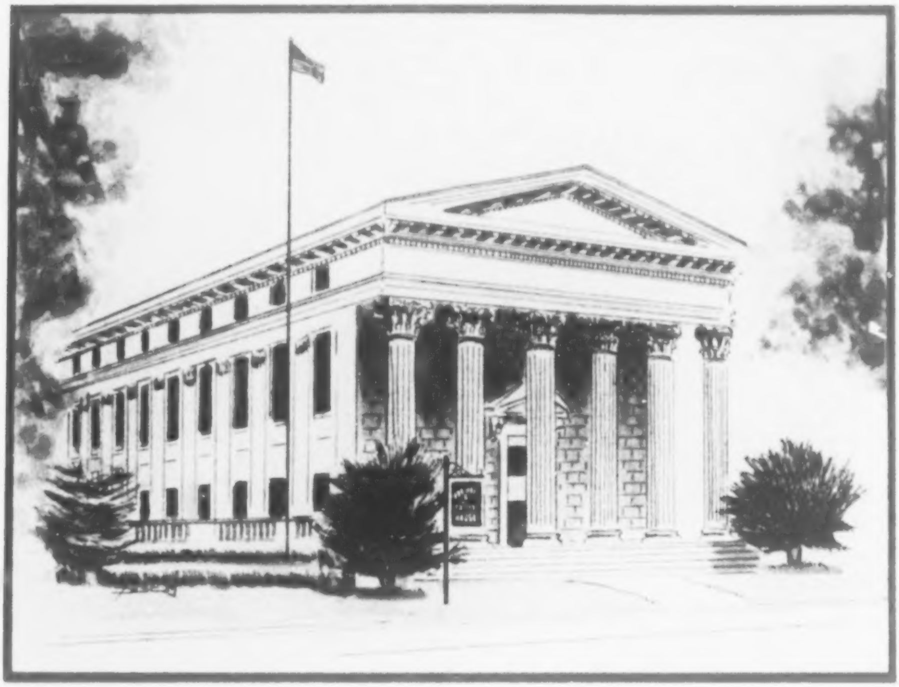
1. AA Precisioneering, Inc.
2. Advantage Mold and Design
3. Aetna Machine
4. Albright Tool & Manufacturing, Inc.
5. Associated Tool & Manufacturing
6. Continental Aluminum & Bronze
7. Corry Lineblock
8. Cytemp Specialty Steel Division
9. Chipsco
10. Comor
11. C.M.C. Creative Cabinets
12. D & B Custom Wiring
13. DeSantis Janitorial Supply
14. Fabrications Unlimited
15. Gilbert Tool & Die, Inc.
16. Hytron Electric Products
17. Just-In-Time Tool, Inc.
18. Keystone Precision
19. Laura Woods Company
20. Leech Tool & Die Works
21. McCrosky Tool Corporation
22. Meadville Condominium Tool
23. Moldex Tool & Design Company
24. Pennsylvania Tool & Gages, Inc.
25. Pinehurst Tool & Die
26. Palmer/Snyder Furniture Company
27. Seco-Warwick Corporation
28. Reitz Tool, Inc.
29. Starlite Diversified, Inc.
30. Starn Tool Company
31. Sutley Tool Company
32. Top Line Tool & Die
33. United Tool & Die
34. Vallonia Industries
35. Viking Tool & Gage
36. WindyHill Farm
37. WindyHill Machine, Inc.

EXPORT ASSISTANCE

Crawford County

1. Continental Aluminum & Bronze
2. Hytron Electric Products
3. Laura Woods Company
4. Leech, Inc.
5. Leech Tool and Die Works, Inc.
6. Lord Corporation/Chemical Products Group
7. McCrosky Tool Corporation
8. Ni Tech
9. Queen Cutlery
10. Palmer/Snyder Furniture Company
11. Syst-A-Matic Tool & Design, Inc.
12. Toolex System, Inc.
13. Zinchiak Manufacturing Company

ERIE COUNTY



LOAN PACKAGING

Erie County	Lender	NWC Amount	LNDR Amount
1. Ace Glass Company	Marine Bank	$ 105,000	$ 125,000
2. Ace Machine Company	Marine Bank	31,250	125,000
3. Aero-Con, Inc.	Pennbank	100,000	350,000
4. American Turned Products	Society Bank	200,000	160,000
5. Ann Brite Fashions	Marine Bank	43,064	35,000
6. Assembly Machines, Inc.	Marine Bank	100,000	116,111
7. Bartone's State Line Service Center	Marine Bank	352,000	338,400
8. Caron Enterprises, Inc.	1st National Bank - Pa.	50,000	50,000
9. Clifton Automatic Screw Machine	Pennbank	27,000	54,000
10. Custom Tool and Design, Inc.	Mellon Bank	120,000	120,000
11. Dell Osa's Italian Restaurant	Pennbank	10,000	10,000
12. DK Sun, Inc. (T/A The Ramada Inn)	Bank One - Eastern Pa.	500,000	1,175,000
13. Erie Molded Plastics, Inc.	1st National Bank	100,000	218,000
14. Erie Window Glass	No Lender	200,000	- 0 -
15. Fairview Hardware	Pennbank	61,000	73,000
16. Finish Engineering	Marine Bank	75,000	200,000
17. Gartner-Harf Company	1st National Bank - Pa.	200,000	370,000
18. General Partitions Mfg. Corp.	1st National Bank - Pa.	50,000	320,000
19. GeorgoKo Industries, Inc.	Marine Bank	100,000	95,000
20. H & H Machined Products	1st National Bank	50,000	22,000
21. Horchler Enterprise, Inc., d/b/a Niagra Mfg.	Marine Bank	60,000	48,000
22. Hydro-Pac, Inc.	No Lender	50,000	- 0 -
23. Insul-Board, Inc.	Mellon Bank	93,000	32,000
24. JTM Foods, Inc.	Pennbank	168,570	1,129,000
25. Lake City Industries	1st National Bank	17,000	59,000
26. Lake Erie Bumper Plating Corp.	Marine Bank	100,000	80,000
27. Lake Erie Electric Mfg. Co.	Marine Bank	100,113	110,000
28. Lincoln Foundry	Marine Bank	150,000	221,000
29. Medical Manufacturing	Mfg. & Traders Trust	200,000	160,000
30. Microbac Laboratories	Mellon Bank	150,000	260,000
31. Micro-Mold, Inc.	Marine Bank	13,034	10,880
32. Mitch-Well Energy, Inc.	1st National Bank - Pa.	50,000	145,000
33. North Coast Marble Company	Pennbank	38,000	133,000
34. Parm Tool & Die Co.	Marine Bank	107,000	300,000
35. PCS Industries, Inc.	National Bank - North East	200,000	160,000
36. Penn Microsystems	Marine Bank	25,000	101,000
37. Performance Castings Company	Marine Bank	100,000	100,000
38. Perry Screw Machine	Marine Bank	50,000	170,000
39. Reddog Industries, Inc.	Marine Bank	50,000	200,000
40. Seaway Industrial Products	Marine Bank	100,000	166,500
41. Shoreline Products	Mellon Bank	158,769	127,015
42. Springfield Plastics Inc.	Community National Bank	163,000	67,000
43. Sterling Factories, Inc.	Marine Bank	74,000	128,800
44. Suburban Tool & Die	Marine Bank	200,000	189,000
45. Summit Hardwoods, Inc.	No Lender	100,000	- 0 -
46. Trost Sheet Metal Works, Inc.	Marine Bank	151,000	105,500
47. Urraro Oil Company	Marine Bank	108,000	259,000
48. Westminster Manufacturing	Marine Bank	197,000	150,000
49. Wolfe Precision	Marine Bank	50,000	50,000
TOTAL		$ 5,497,800	$ 8,618,206

GRANT PACKAGING

Erie County	ARC/*EDA Grant	Leveraged Funds
*1. Erie Civic Center	$ 2,250,000	$ 6,000,000
*2. Erie Port Development Study	71,250	23,750
*3. Thomas E. Bundy Industrial Park	875,000	531,000
*4. Girard Water	350,000	87,500
*5. Girard Incubator	500,000	135,000
*6. Fairview Sewer	500,000	252,000
*7. Erie County Tornado Planning	30,000	
*8. Erie Incubator	250,000	2,000,000
*9. Albion Industrial Park	250,000	
*10. Summit Township Industrial Park	990,000	1,070,000
11. Northwest Regional Instructional Material Center	29,177	70,000
12. Gannon College - Zurn Science Center	454,430	4,577,107
13. Erie County Vo-Tech	1,851,344	4,915,745
14. Erie Facility for the Education and Training of the Mentally Retarded	150,000	1,232,888
15. The Better Housing For Erie Corporation	13,281	866
16. Mercyhurst College - Learning Resource Center	200,000	892,346
17. Hamot Hospital Mental Health Center	298,000	2,299,783
18. Corry Area Moderate Income Rental	21,630	5,407
19. Harborcreek Township Sewer	551,000	2,546,371
20. East Bay Access Road	107,055	252,840
21. Union City Community House Association	14,058	3,514
22. Martin Luther King Center - Bayfront NATO Annex	69,587	453,625
23. Erie Water and Sewer Facility	187,061	2,823,464
24. Shoreline Project - Millcreek Township Sewer Authority	44,155	219,411
25. City of Erie Vo-Tech	488,601	1,193,303
26. Erie International Airport	206,834	1,268,653
27. Erie County 201 Industrial Park	16,511	5,989
28. Project #4 - Millcreek Township Sewer Authority	127,690	2,426,110
29. Corry Area Industrial Site Development Housing	114,256	
30. GECAC Child Development	237,046	56,939
31. Interstate 79 Interchange Study	18,243	7,820
32. Fairview Township Sewer Project	148,085	2,981,315
33. U.S. Steel Planning Project	325,000	108,332
34. Albion Borough Sewer Project	59,209	5,613,991
35. Interstate 90 Interchange Study for W/E Springfield/Girard	27,825	11,925
36. Cranesville Borough Sewer Project	15,323	660,198
37. Harborcreek Township Buffalo Road Area Development	18,760	8,040
38. Operation Stork	96,615	23,698
39. City of Erie West Industrial Area Traffic Study	21,210	9,090
40. Battles Village Housing Project	149,250	1,500,000
41. Villa Maria Nursing Program	50,000	244,458
42. Erie County U.S. Route 19 Corridor Study	30,000	12,857
43. EMS Communications System	113,934	37,978
44. Erie Bayfront Study	30,000	12,857
45. Girard Incubator	184,000	718,000
46. Booker T. Washington Health Care Center	440,500	640,600
47. Small Business Inventory & Needs Survey	17,113	7,334
48. Thomas E. Bundy Industrial Park Access Road	125,000	125,000
49. Erie Incubator	25,000	25,000
TOTAL	$ 13,143,033	$ 48,092,104

PROCUREMENT ASSISTANCE

Erie County

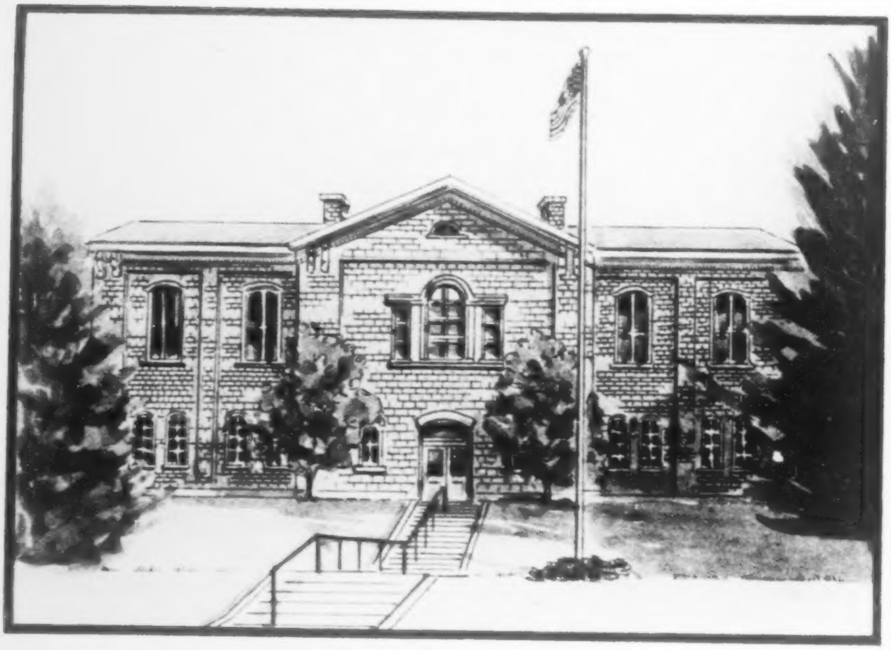
1. Aerocon
2. Accurate Tech, Inc.
3. ALB, Inc.
4. Accu-Form
5. American Tool & Gauge
6. BWI, Inc.
7. Brookpark Plastics
8. Bliley Electric Company
9. Bu-Tech Pressure Systems
10. Caron Enterprises
11. Cin-Tech
12. Carlson Power Electronics
13. Clifton Automatic Screw Machine Products
14. Corry Contract, Inc.
15. Custom Electronics, Inc.
16. Darr Industries, Inc.
17. Delta Micronics
18. Delta T Corporation
19. Edinger Trucking
20. Electric Materials Company
21. Elgin Electronics Company
22. Erie Bolt Corporation
23. Erie Creative Coatings
24. Erie Hard Facings Industries
25. Erie Packaging
26. Erie Plating Company
27. Erie Press Systems
28. Erie Specialty Products
29. Erie Tool Works
30. Erisco Industries
31. Fairview Manufacturing
32. Fromknecht Fabricating
33. General Electric
34. Georgeko Industries
35. Glenn Electric Heater
36. Glitschfield Services/NDE, Inc.
37. Gloekler Refrigerator Company
38. Gruver's Castings
39. Guy E. Allen & Sons
40. H & H Machined Products, Inc.
41. Horton Pre-Cast Concrete
42. Howard Industries
43. Huber Reversible Fan
44. Hydro-Pac, Inc.
45. Industrial Safety & Glove Supply Co.
46. Iroquois Tool Systems
47. James H. Cross Company
48. Jaymar Tool
49. JFK Minority Development Corporation
50. Johnson Tool
51. Kenraz Tool Company
52. Knox-Western Gas Compressor
53. Lake City Industries, Inc.
54. Lake Erie Electric Manufacturing
55. Lamjen
56. Larson Laboratories
57. Lighthouse Electric Controls
58. McInnes Steel Company
59. McShane Welding Company, Inc.
60. Marine Sheet Metal
61. Matrix
62. Microwaste National Corporation
63. Modern Industries
64. Modular Engineering Company
65. M.P. Research
66. National Cartridge Supply
67. National Forge
68. Niagara Manufacturing Company
69. North American Compounding
70. Northwestern Welding & Machine
71. P. S. B. Corporation
72. Peters Heat Treating
73. Polymeric Industries
74. Progressive Equipment Corp.
75. Quad-B Company
76. Quick Copy Center
77. Quinn T Corporation
78. R D & D Corporation
79. R P & C Valve, Inc.
80. Seaway Industrial Products
81. Skinner Engine Company
82. Smith Meter, Inc.
83. Snap-Tite Hose
84. Snap-Tite, Inc.
85. Snap-Tite Valve
86. Sterling Factories, Inc.
87. Steven's Precision
88. Suburban Tool & Die Company
89. Superior Bronze Group
90. Swanson Boat Oar Company
91. The Warren Company
92. Total Concepts, Inc.
93. Trost Sheet Metal Works, Inc.
94. True Form Products, Inc.
95. Typographic Systems
96. Uni-flow Manufacturing
97. United Atkinson, Inc.
98. Viking Plastics
99. WTC Electronics
100. Zurn Industries

EXPORT ASSISTANCE

Erie County

1. Armor Electric Co.
2. Assembly Machines, Inc.
3. Autoclave Engineers, Inc.
4. Axco Valve Co.
5. Briggs Enterprise, Inc.
6. Caron
7. Dental Services Company
8. Elgin Electronics
9. Erie Molded Plastics, Inc.
10. Gloekler Refrigerator Company
11. Insul-Board, Inc.
12. Kaufer Associates
13. Keystone Foods, Inc.
14. Lake City Industries, Inc.
15. Perry Shipbuilding Corp.
16. PHB, Inc.
17. Plastek Industries, Inc.
18. Progressive Equipment Corp.
19. Pyramid Industries, Inc.
20. Revite
21. Roger's Brothers Corp.
22. Thompson Maple Products, Inc.
23. Thompson - Chemtrex, Inc.
24. Trost Sheet Metal Works, Inc.

FOREST COUNTY



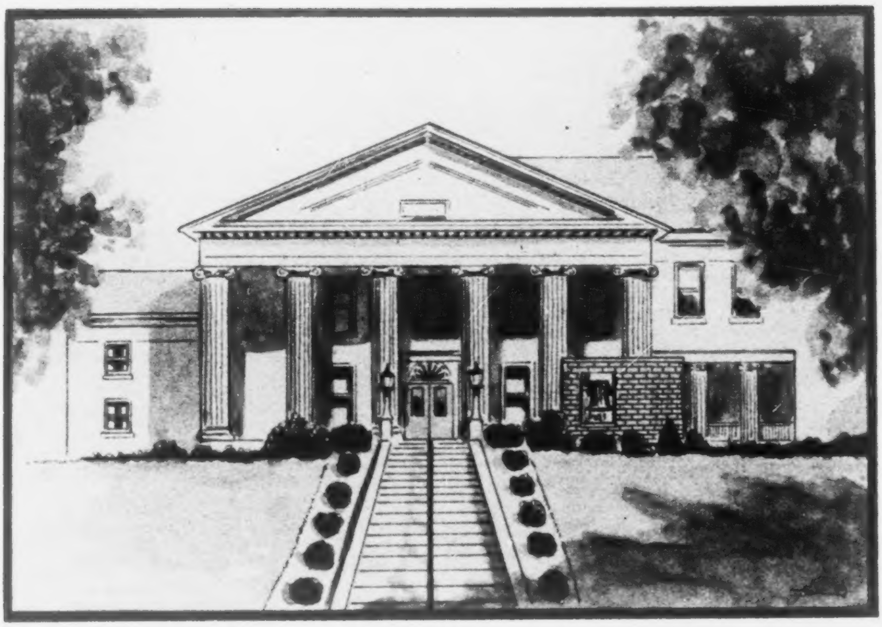
LOAN PACKAGING

Forest County	Lender	NWC Amount	LNDR Amount
1. International Kitchens LTD	No Lender	$ 60,000	$ - 0 -
2. Kelly Hotel	No Lender	43,333	- 0 -
TOTAL		$ 103,333	$ - 0 -

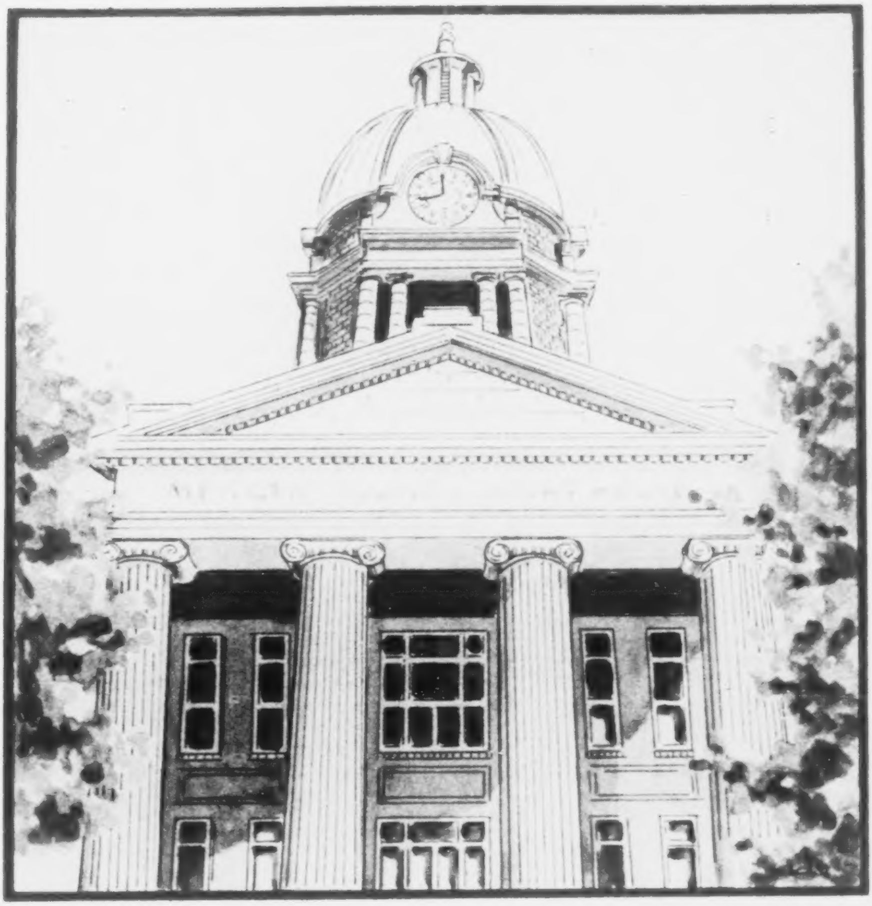
GRANT PACKAGING

Forest County	ARC/*EDA Grant	Leveraged Funds
1. Tionesta Primary Health Care Center	$ 25,388	$ 5,917
2. Tionesta Sewage Treatment	60,960	1,158,240
3. Rural Public Transportation Demonstration Project	109,940	36,646
4. EMS Communications System	17,390	5,796
5. Forest County Economic Development Study	14,550	14,550
6. Jenks Township Sewer	156,400	156,400
TOTAL	$ 384,628	$ 1,377,549

LAWRENCE COUNTY

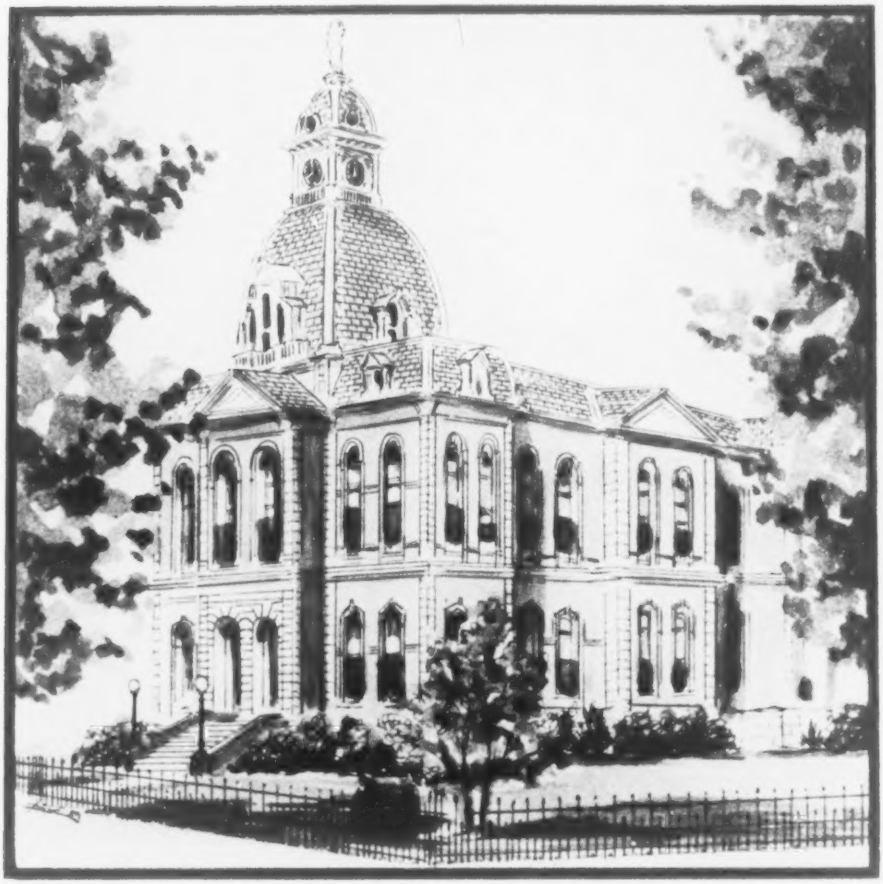


MERCER COUNTY



VENANGO COUNTY

WARREN COUNTY



LOAN PACKAGING

Warren County	Lender	NWC Amount	LNDR Amount
1. Barney's Cafe	Pennbank	$ 22,000	$ 39,900
2. Boekeloo, Inc. t/a G & R Machine	Pennbank	45,000	49,000
3. C. Thorpe Company	Pennbank	50,000	50,000
4. Camera Infirmary, Inc.	1st National Bank - Pa.	5,000	12,000
5. Clarendon Ceramics Corporation	Pennbank	50,000	50,000
6. Crescent Wood Products	Pennbank	65,000	155,000
7. G & R Machine Company	Pennbank	50,000	250,000
8. Garland Wood Products	Pennbank	25,000	105,000
9. House of Printing	Pennbank	20,000 *	60,000
10. Hugh LeBlanc	Marine Bank	12,000	15,000
11. Jefferson Tea House	Pennbank	14,000	17,500
12. Lincoln Log Home Pools of Warren	Pennbank	15,000	10,000
13. Metaltech Manufacturing	Pennbank	15,000	20,000
14. Mineral Well Restaurant & Motel	Pennbank	12,000	217,000
15. Pracejas and Kuhn	Pennbank	20,000	30,000
16. Thompson Maple Products, Inc.	Marine Bank	75,000	75,000
17. Warren Car and Tank, Inc.	Pennbank	100,000	50,000
18. Youngsville Custom Wood Products	Pennbank	23,000	25,000
TOTAL		$ 618,000	$ 1,230,400

*Borough of Warren Capital Loan Fund

GRANT PACKAGING

Warren County	ARC/EDA Grant	Leveraged Funds
1. Warren County AVTS	$ 218,521	$ 2,401,453
2. Warren County Access Road - LR61037	626,500	1,116,954
3. Warren County Access Road - LR61049	507,000	294,135
4. ARC Enterprise Sheltered Workshop	97,720	70,397
5. Rural Public Transportation Demonstration Project	127,099	42,365
6. Forest/Warren Early Childhood Development Project I	253,551	63,537
7. Warren Area Industrial Study	23,660	20,540
8. EMS Communications System	46,090	15,363
9. Warren Incubator	53,625	310,000
TOTAL	$ 1,953,766	$ 4,334,744

PROCUREMENT ASSISTANCE

Warren County

1. Amsoil, Inc.
2. Allegheny Dental Lab, Inc.
3. ARC Enterprises
4. G & R Machine Company
5. Loranger International
6. Loranger Manufacturing Corp.
7. Metaltech Manufacturing
8. National Forge
9. Rexnord, Inc.
10. Skylon Mold & Machining
11. Superior Tire and Rubber Company
12. Warren Car Company
13. Warren Steel Company
14. West Penn Oil

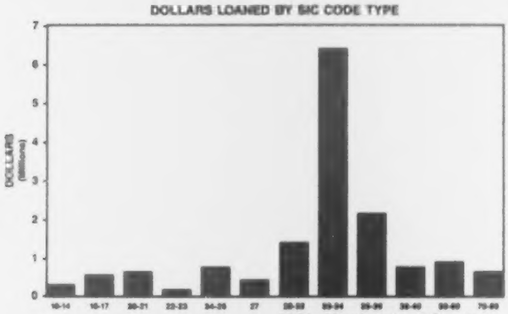
EXPORT ASSISTANCE

Warren County

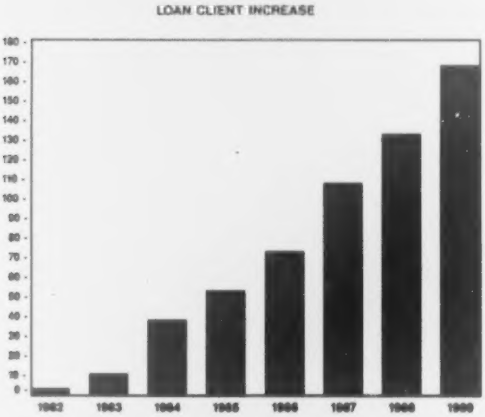
1. Clarendon Ceramics
2. Custom Wood Products
3. Devore, Hyma Lumber Company
4. Loranger International
5. Petrex, Inc.
6. Superior Tire & Rubber Corp.

APPENDICES

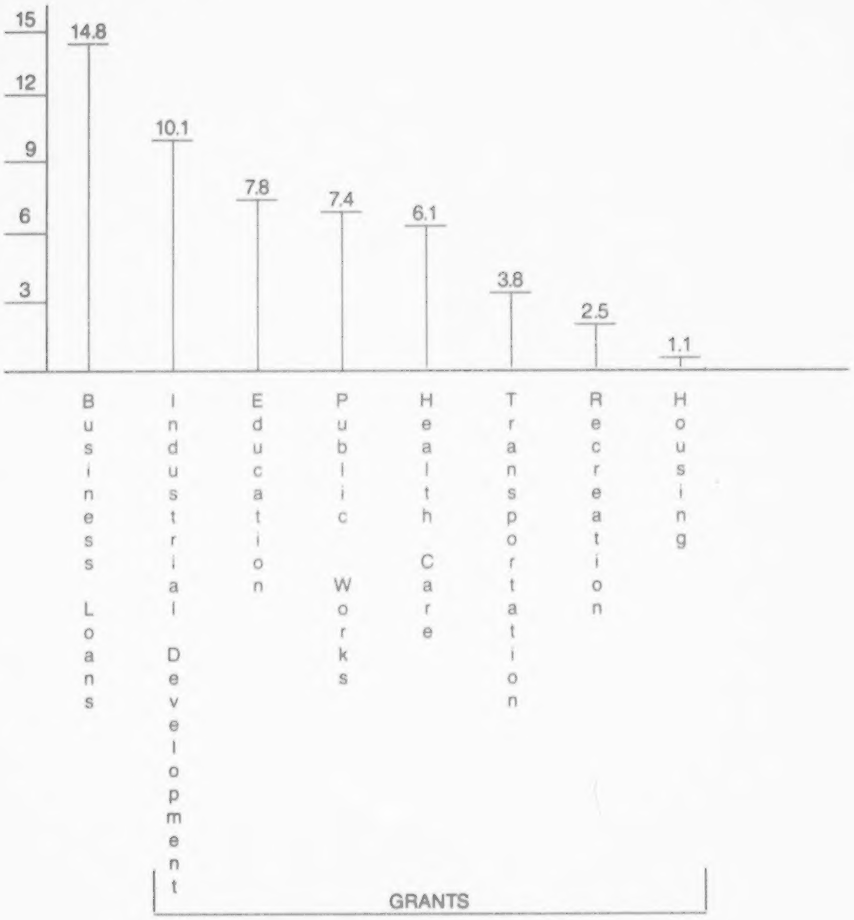
I. LOAN SUMMARY GRAPHS



10-14	Mining
15-17	Construction
20-21	Processing of Food Products
22-23	Manufacturing of Apparel
24-25	Manufacturing of Lumber and Wood Products, Including Furniture
27	Printing and Publishing
28-32	Manufacturing of Chemicals, Rubber, Plastic, Stone and Ceramic Products
33-34	Manufacturing of Primary and Fabricated Metal Products
35-36	Manufacturing of Machinery
38-40	Miscellaneous Manufacturing
50-69	Wholesale/Retail Trade
70-89	Service Industry

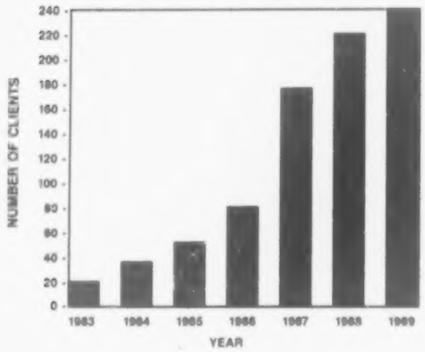


II. GRANT AND LOAN SUMMARY

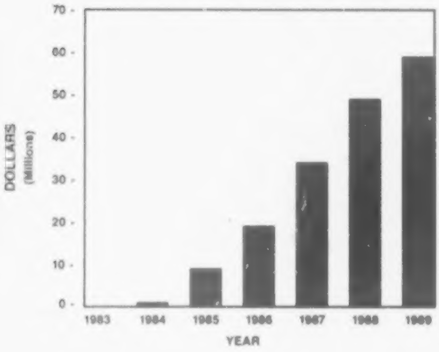


$ million

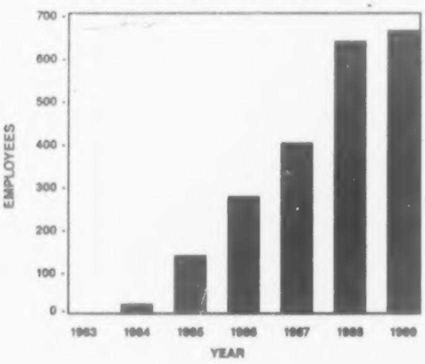
III. PROCUREMENT SUMMARY GRAPHS



N/W PA REGIONAL PROCUREMENT PROGRAM
ACTIVE CLIENT INCREASE BY YEAR



N/W PA REGIONAL PROCUREMENT PROGRAM
CONTRACT AWARD INCREASE BY YEAR



N/W PA REGIONAL PROCUREMENT PROGRAM
CLIENT EMPLOYMENT INCREASE BY YEAR

PUBLIC TESTIMONY

UNITED STATES HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

OF THE

PUBLIC WORKS AND TRANSPORTATION COMMITTEE

JUNE 3, 1991
GENEVA COLLEGE
BEAVER FALLS, PENNSYLVANIA

SUBMITTED BY: ELIZABETH M. VERTERANO, CHAIRMAN
LAWRENCE COUNTY BOARD OF COMMISSIONERS
LAWRENCE COUNTY GOVERNMENT CENTER
NEW CASTLE, PENNSYLVANIA - 16101

My name is Elizabeth M. Verterano, Chairperson of the Lawrence County Board of Commissioners and a Steering Committee Member of the nine (9) county Southwestern Pennsylvania Growth Alliance.

I thank Congressman Joseph Kolter for inviting me to offer testimony to this distinguished Subcommittee on Economic Development of the House Public Works and Transportation Committee.

My comments today will involve my feelings and concerns regarding infrastructure as it relates to first, Lawrence County and second to Southwestern Pennsylvania.

I define "infrastructure" as the physical system which supports all economic activity. It is the one essential ingredient in fostering new development and in retaining and strengthening existing business and industry.

Lawrence County and Southwestern Pennsylvania have a vast inventory of roads, bridges, dams, water and sewage facilities, waste disposal systems, railroads, airports, telecommunication networks and utilities. The system is, at any given moment in time, a vital asset and a growing liability; an asset for the development capacity it supports, and a liability for the maintenance and replacement costs which it imposes.

Based on my experience as a County Commissioner and as a member of a select group of regional visionaries, it has become clear to me that during the next 20 years, this neighborhood of the country we call Pennsylvania, must make expensive choices in prioritizing and financing infrastructure.

Because of the magnitude of the infrastructure needs which lie ahead and their link to economic development, the Federal Government must either strongly reconfirm, or aggressively instill, new methods and allocations of public finance to assist both the State and local governments in their development and maintenance responsibilities.

To demonstrate this, a recent study conducted by the Economic Policy Institute, concluded that the strength of the U.S. economy is closely tied to investment in infrastructure. "The study found that the impact of increasing public, non-military spending by 125% from 1970 to 1986, which would have equalled investment during the 1950's and 1960's, would have made productivity grow 2.1% annually, rather than its actual rate of 1.4%. The average rate of return on non-financial corporate capital would have been 9.6% instead of 7.9%, and private investment in plants and equipment would have stood at 3.7% instead of 3.1%. Net public investment in core infrastructure sank from more thn 2% of G.N.P. in the late 1960's to less than 0.5% by 1987" (Area Development Magazine, May 1991).

THEREFORE, IT CAN BEEN SEEN THAT INFRASTRUCTURE AFFECTS ECONOMIC DEVELOPMENT IN DIVERSE WAYS. FIRST, PHYSICAL SYSTEMS DIRECTLY INFLUENCE BUSINESS COSTS. SECOND, INFRASTRUCTURE HAS MANY INDIRECT INFLUENCES OVER COST AND OPPORTUNITY. THAT IS, THE ABSENCE OR CONDITION OF PHYSICAL FACILITIES ESTABLISHES THE LIMITS OF DEVELOPMENT AND ECONOMIC ACTIVITY.

INFRASTRUCTURE LINKS ECONOMIC TRANSACTIONS. THE EXTENSIVENESS, CONDITION, LOCATION AND COST OF INFRASTRUCTURE DETERMINES THE KIND OF ECONOMIC DEVELOPMENT WHICH CAN OR MAY BE SUPPORTED.

THE IMPACT OF INFRASTRUCTURE IS HIGHLY SITE-AREA-AND-INDUSTRY SPECIFIC. TRANSPORTATION OF BULK COMMODITIES FOR HEAVY MANUFACTURING AND MINING AS PREVALENT IN SOUTHWESTERN PENNSYLVANIA, REQUIRES RAIL, WATERPORTS, HIGHWAYS AND BRIDGES. THE SERVICE INDUSTRY , WHICH IS FAST BECOMING AN EQUAL PARTNER TO THE MANUFACTURING INDUSTRY IN SOUTHWESTERN PENNSYLVANIA, REQUIRES TELECOMMUNICATIONS, ROADS FOR DISTRIBUTION, AND SUPPORT SERVICES TO MAINTAIN ACCESS TO LABOR POOLS AND MARKETS. ALL TYPES OF ECONOMIC ACTIVITY REQUIRE ENERGY, WATER, SEWER AND RELATED SYSTEMS. WITHOUT ADEQUATE INFRASTRUCTURE TO MATCH AN AREA'S DEVELOPMENT NEEDS OR PLANS, GROWTH IS NOT POSSIBLE.

Lawrence County is on the northern threshold of the Southwestern Pennsylvania growth explosion, sparked by the construction of the new Greater Pittsburgh International Airport and the Beaver Valley Expressway, both of which demand the efficient and safe transport of people and products. These two economic development generators require the construction of secondary road systems for the emerging distribution, warehousing and office/commercial industries which are being planned now, and subject to new infrastructure development (Northgate Industrial Park; Rt. 60 Industrial Park; Mark Development, etc.).

The New Castle Airport is in constant need of federal aviation dollars to continue its modernization as a feeder/commuter airport to Greater Pitt, Cleveland and Erie airports; and the construction of an Amtrak passenger stop in New Castle will permit increased mobilization of a skilled workforce to other Southwestern Pennsylvania job sites, and vice versa.

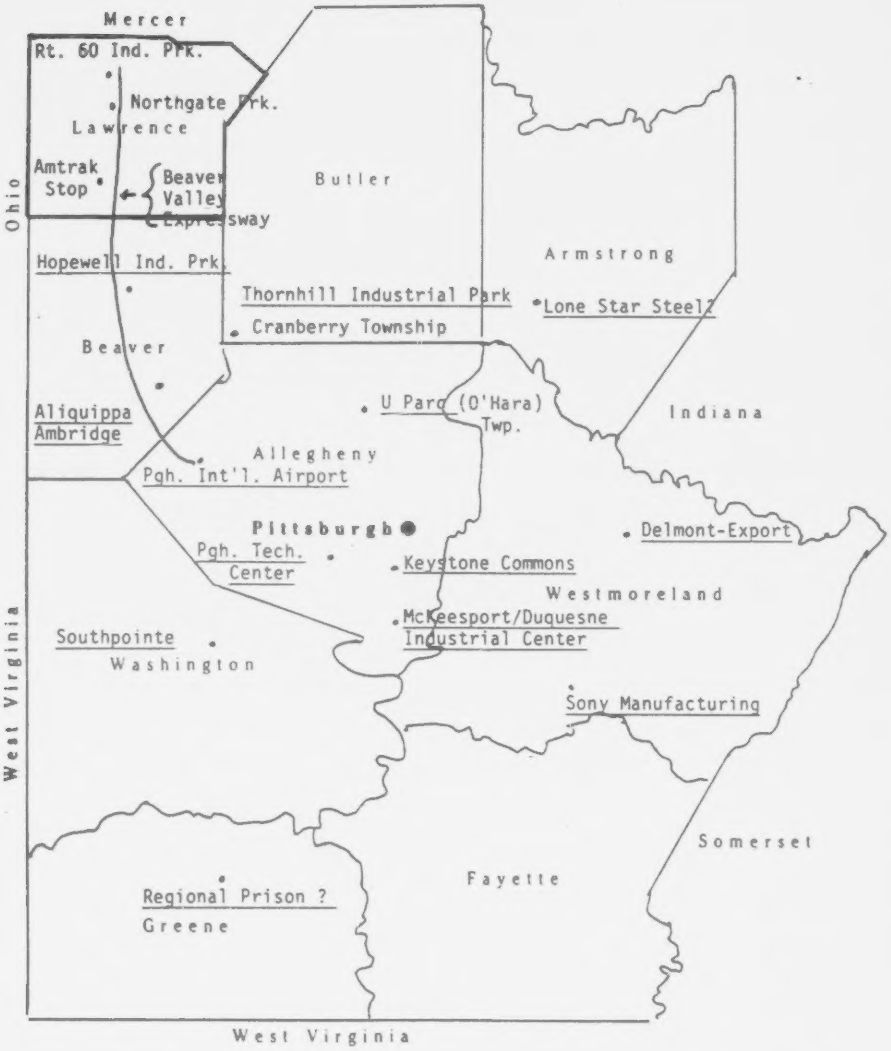
ALSO, I WOULD BE REMISS NOT TO MENTION THE NEED FOR FEDERAL SUPPORT TO THE NEWLY DESIGNATED PORT OF PITTSBURGH AND ITS COMMISSION. THIS UNIQUE INTER-MODAL TRANSPORTATION NETWORK, INCLUDING RIVER, RAIL AND HIGHWAY SYSTEMS WITHIN THE SECOND LARGEST INLAND WATERWAY PORT IN THE UNITED STATES, IS ABSOLUTELY CRUCIAL TO THE ECONOMIC HEALTH OF NOT ONLY SOUTHWESTERN PENNSYLVANIA, BUT ALSO TO THE TRI-STATE REGION AREAS OF PENNSYLVANIA, OHIO AND WEST VIRGINIA.

THESE AND OTHER INFRASTRUCTURE RELATED PROJECTS ARE EXTREMELY NECESSARY FOR OUR NEIGHBORHOOD OF THE COUNTRY TO COMPETE, TO THRIVE AND TO SUSTAIN THE PROUD AND HARD WORKING MEN AND WOMEN WHO CALL THIS PLACE "HOME".

YOUR PRESENCE AMONG US TODAY SHOWS YOUR CONCERN AND COMMITMENT TOWARD ECONOMIC DEVELOPMENT AND ITS RELATIONSHIP TO THE PUBLIC GOOD AND BUSINESS GROWTH. I STRONGLY URGE YOU TO CONSIDER AND ADVOCATE FOR INCREASED FEDERAL FUNDING SUPPORT TO THE INFRASTRUCTURE SYSTEMS WHICH SUSTAIN ALL OF US.

ON BEHALF OF LAWRENCE COUNTY AND AS A MEMBER OF THE SOUTHWESTERN PENNSYLVANIA GROWTH ALLIANCE, I THANK YOU FOR YOUR GRACIOUS ATTENTION AND THE INVALUABLE TIME YOU HAVE AFFORDED ME TODAY.

Southwestern Pennsylvania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Lawrence
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Butler
Armstrong
Hopewell Ind. Prk.
Thornhill Industrial Park
Lone Star Steel?
Cranberry Township
Beaver
Aliquippa
Ambridge
U Parc (O'Hara) Twp.
Indiana
Allegheny
Pgh. Int'l. Airport
Pittsburgh
Delmont-Export
Pgh. Tech. Center
Keystone Commons
Westmoreland
McKeesport/Duquesne Industrial Center
Southpointe
Washington
West Virginia
Sony Manufacturing
Somerset
Fayette
Regional Prison ?
Greene
West Virginia

ECONOMIC DEVELOPMENT IN A GLOBAL MARKET

Testimony to the Subcommittee on Economic Development
for the Public Works and Transportation Committee of
the 102nd Congress

By:

Thomas A. Woodske
Director, Economic Development
Duquesne Light Company
Pittsburgh, Pennsylvania

An Economic Development Specialist is a person who attempts to influence the decisions of investors by marketing their community's resources and attributes with the goal of expanding a community's capacity to produce goods and services. This role can be filled by both public and private sector participants. But the most effective action program is a partnership of the two sectors.

Today's economic development arena is global. Competition begins at the international level with countries touting their unique attributes in the quest of influencing or selling the international investor on the merits of their country. The competition at the international level is fierce and growing stronger every year.

Our strongest competitors like Japan and Germany are aggressively pursuing the international investor, particularly in the manufacturing sector. These and other foreign competitors see the necessity in the aggressive marketing of their country. As the world's marketplace grows in size and competitiveness, attracting new investment capital, and thus stimulating capital formation, is one of the two key components in increasing the productivity of a nation and thus the wealth of its citizens.

The other factor is education. As we all are aware, education is largely funded at the state and local level and much of the impetus for change will have to come directly from the local communities that are most adversely impacted by antiquated or poorly managed educational institutions. At the national level, we may be able to influence the pace of change or the trend toward pluralism or choice in the educational system but by-in-large most change will come from the local level.

Therefore, this leaves the Federal Government in the forefront of decisions affecting the other key component in economic development, capital formation. Tax laws, monetary policy, regulatory policy, fiscal policy, environmental regulations are all matters basically controlled at the Federal level and they all impact capital formation. Getting this information out to investors on how these laws, policies and regulations may impact their investment decisions is a marketing task that is currently pursued in a very fragmented way by the United States.

Currently most state governments have a department of commerce allied with private and non-profit economic development practitioners to perform the marketing role. This has been and should continue to be the main thrust in marketing a state or region. But we are lacking a key component in this initiative, the Federal Government. In pursuing reverse investment opportunities, we would like to see aggressive Federal Government action in support of our local efforts.

At present, our Nation seems to be complacent and relying on our "Number 1" status to attract investment. We have seen this attitude of complacency topple industry after industry in the U.S. to foreign competition. This attitude of complacency must not continue to pervade our own nation's policy of competing for investment.

To my current knowledge, their is no concerted federal effort or strategy specifically aimed at attracting new investment into the U.S. There are no "investor guides" published by the U.S. Government such as other countries provide. This is the type of support we would like to see from the federal government. Specifically, publishing a guide to investing in America.

This guide would not be exclusively aimed at large multi-national corporations but at another level...to successful entrepreneurs and investors with resources to invest and are considering the many alternatives in where their funds may be most effectively deployed. This type of entrepreneur can come into a small community and add a plant employing 100 people that can have a meaningful impact on a community. This size firm is the type we can most readily attract but requires a greater marketing effort to find.

These international entrepreneurs and investors are being courted from countries all over the world. What we are asking for is assistance in attracting them to

America. We are not asking for new legislation, special tax breaks or other incentives. Just using the Federal Government's existing international network of consulates and other agencies to assist private, State and local international marketing efforts. In short, we are asking for a helping hand NOT a handout from the already overburdened taxpayer. We would like to see the Federal Government on our team to assist us in revitalizing our communities.

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

HEARING ON

THE EFFECTIVENESS OF THE ECONOMIC DEVELOPMENT PROGRAMS AND TRANSPORTATION AND INFRASTRUCTURE NEEDS

MONDAY, JUNE 3, 1991
BEAVER FALLS, PENNSYLVANIA

HOWARD YERUSALIM, P.E., SECRETARY
Pennsylvania Department of Transportation
1200 Transportation and Safety Building
Harrisburg, Pennsylvania 17120

Chairman Roe, Chairman Kolter and distinguished members of the Subcommittee, I am Howard Yerusalim, Secretary of Transportation for the Commonwealth of Pennsylvania. On behalf of Governor Casey, it is my pleasure to welcome you to Pennsylvania to receive testimony on critical transportation and infrastructure needs and their correlating effect on economic development. Although the most critical issue before us is reauthorization of the surface transportation legislation, I am pleased to have this opportunity to speak on the economic benefits of the Appalachian Regional Commission (ARC) and its programs. Since 1970, I have been closely associated with the ARC programs, first as the program manager for the Department and now as the Secretary of Transportation for the Commonwealth.

Before I begin, I would like to recognize Congressman Kolter, Chairman of the Subcommittee, for all his efforts on behalf of the citizens of the Commonwealth of Pennsylvania. I am proud to say that the Casey Administration has enjoyed a fine working relationship with the Pennsylvania Congressional Delegation, and in particular, with those members who serve on the House Public Works and Transportation Committee -- including Congressmen Kolter, Shuster, Clinger and Borski.

A prime example of the effects transportation improvements have on the economic development of an area can be found through the examination of the programs under the auspices of the Appalachian Regional Commission. The work undertaken since the inception of the ARC in 1965 has been directed toward improvement of a relatively isolated region, stretching from northern Mississippi to southern New York, which has been plagued by a stagnant economy. The ARC and its Programs are vitally important to the region and in particular, to Pennsylvania. Pennsylvania has the largest Appalachian population - 5.8 million people, more than one-quarter of the region's total; the largest land area of any state in the region; and, the largest number of highway miles eligible for construction - 453 miles or nearly 15% of the total 3,036 miles which have been designated for construction improvements by the ARC.

To improve transport through the rugged terrain of the region, the Appalachian Regional Development Act of 1965, as amended, authorized the construction of the Appalachian Development Highway System and local access roads serving the region. Six Corridors of the Highway System are located in Pennsylvania, totaling 509 miles. These corridors are noted on the map in Attachment A. The ARC determined that the condition of 56 miles of the Corridors designated in Pennsylvania was adequate; however construction of 453 miles was needed to improve access for economic development. Thanks to the diligent efforts of the Subcommittee and the Commission in obtaining appropriations for the Program, we have been able to complete and open to traffic over 155 miles of the Appalachian Development System in Pennsylvania. Another 52 miles are currently under construction or in staged construction. Corridor "P", (U.S. Route 220/PA 147) from Mackeyville to Milton is complete and substantial improvements have been made to Corridors "M"(U.S. Route 119/220, from New Stanton to I-81), "N"(U.S. Route 219 from Maryland Line to U.S. Route 22), "O"(U.S. Route 220 from Maryland Line to I-80), "T"(PA 17 from I-90 Interchange to New York Line), and "U"(U.S. Route 15/PA 328 from Williamsport to New York Line). Pennsylvania has obligated $529 million in Appalachian Development Highways funds apportioned since the inception of the Program.

The Commission's Access Road Program has also been an integral element for providing access to facilitate industrial and commercial development in the region. More than $33 million has been approved by the ARC to complete 126 access road projects in Pennsylvania. Some of the most notable projects completed include the $1.5 million Charlie Brothers Access Road in Westmoreland County which facilitated the creation of 300 new jobs and prevented the loss of 800 existing jobs; the $200,000 Pullman Access Road in Butler County which aided the creation of 650 jobs, a step toward replacing the over 3,000 jobs lost when the Pullman Standard Rail Car Manufacturing Plant closed in 1982; the $300,000 Werner Access Road in Mercer County which assisted in the creation of 130 new jobs and the retention of 725 existing jobs; the $340,000 Bethel Park Access Road in Allegheny County which generated 300 new jobs; and the $150,000 Johnstown Industrial Park Access Road in Cambria County which created the potential for 300 new jobs and the retention of over 2,400 existing jobs.

The FFY 1991 ARC apportionment to Pennsylvania included $1.1 million for five eligible Local Access Road projects. Among these are the Industrial Center of McKeesport Access Road in Allegheny County, the Alcoa Business and Research Park Access Road in Westmoreland County, and the Southpointe Access Road in Washington County. It is estimated that these three projects alone will facilitate the creation of over 2,400 new jobs for area residents.

While we have made considerable progress in increasing the accessibility of the region to assist in its economic development, we have much more work to do in the Appalachian corridors in Pennsylvania. Construction of over 245 miles at an estimated total cost of $1.86 billion is still needed. Progress over the last decade and a half has been severely impeded by the drastic ARC reduction in funds and program changes.

Pennsylvania was the only Appalachian state adversely affected by ARC program changes that took effect in 1976. Until FFY 1976, the states were permitted to accumulate funds which they were unable to use during the fiscal year in which they were apportioned. Through FFY 1975, Pennsylvania had accumulated over $94 million which it had not been able to obligate in previous fiscal years because projects were not ready for construction and, in some cases, because the Commonwealth was unable to provide the required matching funds. If a state was unable to use the funds in any particular fiscal year, it could, at the discretion of the ARC, "loan" the funds to another state provided that state was ready to proceed with construction. The understanding was that the "loaned" amount would be returned to the "loaning" state from subsequent years' appropriations.

In 1976, after a review of its allocation procedures, the ARC decided to institute a $50 million annual allocation limitation for each state and remove the option to carryover unobligated balances to the following year. As a result of this action, Pennsylvania lost its entire $94 million in unobligated balances. This loss of funding severely hampered Pennsylvania's progress in construction of its Appalachian corridors.

Since 1982, Appalachian Development (APD) funds have decreased dramatically. In the early years of the Program, Pennsylvania received more than $50 million annually in APD funds. By 1982 our annual apportionment was reduced to $22 million and reached a low of $8 million in 1989. Our average annual apportionment since 1982 has been less than $13.8 million.

This reduced funding has resulted in a relative reduction in the miles placed under construction, and in many cases we have been forced to stage construct projects over several fiscal years. For example, construction of a 3.5 mile, four lane relocation of Corridor "U" (U.S. Route 15 north of Williamsport), was completed through three separate construction contracts over three consecutive years -- bridges, grading/drainage work and paving/signing. The extent of each construction stage was determined by the annual availability of Appalachian funds.

Given the proven positive impacts of the Development Highway Program to the economic development of the region, it is difficult to understand the decline in federal financial support for the Program. Despite the fact that the Appalachian Development Highway System is far from complete, its impacts are notable. The improvements to U.S. Route 220 through South Central Pennsylvania, which were funded through a combination of Appalachian funds, special federal funding obtained through the efforts of Congressman Shuster and federal-aid primary funds, demonstrate the positive business, employment and tourism impacts that ARC and other investments in our transportation network can have, not only for the community but the state and nation as well. A study of the corridor found that, since 1985, 52 companies have located or expanded operations in Blair County, generating more than 2,500 jobs for area residents. More than 1,000 new jobs have been created by new industrial activity in

Bedford County, and retail sales in the Altoona metropolitan area alone have increased by more than $57 million annually. Industries and businesses have grown along other Appalachian System highways as well, due to the vital link this System provides in the movement of goods and services.

But more is needed for this region, which tends to be affected to a greater extent by events that hurt the National economy. Traditionally, Appalachia has relied more heavily than the rest of the country on manufacturing and mining industries. These sectors have struggled for survival, and in many cases, have lost over the last decade to global competition and new technologies. In 1980, 38% of Appalachian jobs were in the production of manufactured goods; however, by the beginning of the 1990's, manufacturing employment in the region had fallen to below 31%. Unemployment rates in the region are at least 15% higher than the National average, and in some counties the unemployment rate is over 150% higher than the national average. Furthermore, the region is marked by higher school drop out rates, higher illiteracy rates, and a shortage of health care professionals. The continuance of the Appalachian Regional Commission, along with authorizations of adequate funding levels, are essential for the economic and social improvement of the region. I support a multi-year authorization for the ARC that will assure continued and predictable funding levels for advancement of the Appalachian Development Highway Program and to provide access for economic development which is so badly needed in this region of the country.

Transportation programs such as the Appalachian Development Highway System and the Interstate System have had and will continue to have positive impacts on the Nation's economic and social health. The condition and performance of our transportation infrastructure is directly linked to economic development and to national and international competitiveness, since the ability to move people, goods and services quickly and efficiently is key to economic health and vitality in today's fast paced world.

Considerable progress has been made in developing and preserving our transportation system in Pennsylvania. Over the past four years, the Commonwealth has invested $4.2 billion in its highway and bridge infrastructure, and $2.4 billion in transit capital projects. Through this investment, more than 1,200 bridges have been replaced or rehabilitated since 1987, and $2.6 billion has been expended on maintenance activities including surface improvements to 27,000 miles of Pennsylvania's 41,000 mile network. We now have all the remaining miles of Pennsylvania's Interstate System under construction and expect to have the last segments open to traffic by the end of this year. Major renovations and improved facilities have been realized by Pennsylvania's transit systems including signal and station improvements on the Port Authority of Allegheny County's Light Rail Transit System and rehabilitation of Section 1 of SEPTA's Frankford Elevated Rapid Transit Line. Since 1987, the Commonwealth has participated in the purchase of 206 new transit vehicles, enabling many transit agencies, such as the Beaver County Transit Authority which received 40 vehicles, to renew their aging fleets. Many transit agencies have been able to construct new maintenance facilities including the Indiana County Transit Authority, Centre Area Transit Authority and a joint facility for the DuBois, Falls Creek, Sandy Township Joint Transit Authority and the Area Transportation Authority of North Central Pennsylvania. The Beaver County Transit Authority will dedicate its new maintenance facility on June 14, 1991. Special acknowledgement is due to Congressman Kolter for his efforts in obtaining financing for this new facility.

Federal funding is crucial to Pennsylvania's transportation program. Over the last four years the Commonwealth has received $1.97 billion in highway and bridge funds as well as another $685 million for mass transit. We are grateful for additional highway and bridge discretionary and special funds totalling $797 million over that same period, which are so important in supplementing the regular federal-aid program.

These accomplishments illustrate the success of the federal/state/local transportation partnership. All around us are testaments to the cooperation and positive working relationship the Pennsylvania Department of Transportation shares with our Congressional Delegation and the U.S. Department of Transportation. We are grateful to Congressman Kolter for the $10.7 million in special funding authorized in the 1987 Surface Transportation Act which will assist in the financing of the Crows Run Highway in Beaver County and the $3.4 million in special funding included in the FFY 1991 Transportation Appropriations Bill for a preliminary engineering study for a Ligonier Bypass in Westmoreland County. Alternate corridor location studies are currently underway for the Crows Run Highway and preliminary engineering has begun on the Ligonier Bypass. Congressman Kolter has also joined with the business community and other interest groups to promote the construction of the Laurel Valley Expressway, a proposed roadway connecting the Pennsylvania Turnpike near New Stanton to U.S. Route 30 near the Westmoreland County Airport. These projects are highlighted on the map in Attachment B.

Federal funds, combined with state, local and private resources have enabled Pennsylvania to become a national leader in transportation. However, I would note that we could have an even better program if a way could be found to gain full release of the nearly $18 billion in current balances in the federal highway and mass transit trust funds. Moreover, another $7 billion is currently being held in the federal airport and airway trust fund, bringing the total transportation trust fund balances to approximately $25 billion.

Clearly there are large transportation improvement needs throughout the nation and there will never be enough resources to address them all. This makes it very important to use available resources wisely and to make full use of all available transportation funds. Accordingly, I have and will continue to urge Congress and the Bush Administration to draw down the transportation trust fund balances and to increase the level of federal support for transportation programs. The trust fund balances, dedicated revenues which presently total $25 billion, are dedicated to highway, transit and aviation purposes, and the American people have every right to expect a full return on the transportation user fees they have paid.

The authorizations for major federal-aid highway and mass transit programs provided in the Surface Transportation Assistance Act of 1987 expire on September 30, 1991. This affords us a tremendous opportunity and challenge -- to undertake what will be the most comprehensive review of the nation's transportation policies and programs in decades and to chart their passage into the 21st century. The formidable challenges that await us all come on the heels of a successful Interstate era, forged in 1956 to link the major activity centers of this country. The time has come to combine the energy and resources of the federal/state/local/private levels to revitalize our transportation system, the backbone of commerce in the United States.

I believe that there is an appropriate role for each level of government in planning, building, maintaining and financing surface transportation facilities. As we look to the year 2000, these roles are changing. Overall, I envision a federal transportation role which is more sharply focused on setting broad national policy and addressing issues of national significance. Federal financial resources should be targeted in large part to national priorities such as preserving the Interstate system and other major highways and key major urban and rural arteries, and initiatives to improve safety, reduce congestion and clean up the air.

The states have become more capable of managing transportation programs and are prepared to assume a larger role in addressing our transportation needs. Increasingly, the states realize that a new federal program is not always the proper solution to a transportation problem, and they are demonstrating the ability to successfully launch major transportation initiatives on their own. With the promise of a new transportation era, the states are looking forward to reduced federal oversight and increased flexibility within a structured framework for managing their transportation programs under the forthcoming transportation reauthorization legislation.

The new federal surface transportation bill must be enacted by September 30, 1991 so that there is no interruption in the flow of federal funds for vital transportation improvement programs in Pennsylvania and across the country. Indicative of the desire to reach this goal, numerous initiatives and policy development activities have been undertaken over the last year to provide input into the legislation which is being written by Congress. Field hearings such as this are being held, policy positions of the states and various interest groups are being advanced and bills which address particular elements of a future transportation program are being introduced in the hope that they will be incorporated in an omnibus bill. The Bush Administration was the first to come forth with a specific proposal when it released its bill on February 13, 1991. In late April, several bills were introduced in the Senate. The "Surface Transportation Efficiency Act of 1991," (S.965), termed the Leadership Bill, has been introduced by Senators Moynihan, Symms, Burdick, Chafee and Lautenberg. Other bills include the "Federal-Aid Highway Act of 1991 (S. 883)," introduced by Senator Bond, the "Transportation Improvement Act of 1991 (S. 823)," introduced by Senators Reid and Baucus and the Federal-Aid Surface Transportation Program (S. 1121) introduced by Senator Warner.

From a national perspective, the Bush Administration is to be commended for putting the first comprehensive proposal on the table to reauthorize federal highway and transit programs. The highway and bridge portion of the proposal was well thought out by Federal Highway Administrator, Tom Larson. On the positive side, it redefines federal priorities and redirects federal funds, an appropriate approach since the Interstate System is virtually complete. The proposal consolidates 30 to 40 programs into three categories of funding -- the National Highway Program (NHP), an urban/rural program and a bridge program. It proposes flexibility for the use of federal funds, professes less "red tape," and begins defining a National Highway System (NHS). It covers a five year authorization period (FY 1992-96) which would enable states to plan their programs with some certainty of future funding levels.

While the proposal includes these positive qualities, there are several key issues of concern to Pennsylvania:

- definition of a National Highway System;
- funding levels and trust fund balances;
- apportionment formulas;
- matching ratios;
- transferability of funds; and,
- the transit portion of the proposal.

The cornerstone of the proposed program is a National

Highway System (NHS) totaling 150,000 miles nationwide, including the Interstate System and other principal highways. The Federal Highway Administration (FHWA) began identifying an "illustrative" NHS on a mileage rather than a criteria basis. Pennsylvania's position is that starting with a mileage goal rather than criteria is arbitrary and unreasonable. Under this criteria, the target mileage for Pennsylvania was a total of 4,885 miles. PennDOT utilized a thorough and appropriate process to identify an NHS based on specific criteria. This process yielded a network of 5,757 miles, approximately 900 miles more than FHWA's mileage target. Pennsylvania, with assistance of the Congressional Delegation, has since convinced FHWA to add over 500 miles to Pennsylvania's "illustrative" NHS in rural areas. While I am still not pleased with the rural NHS as it now stands and with the fact that an urban system has yet to be fully defined, I will continue to work with FHWA and members of Congress to ensure a rational and reasonable delineation of Pennsylvania's NHS.

Federal-aid highway funding levels under the Bush Administration proposal remain virtually level at $16 billion during the first three years of the proposal and then increase to $20 billion by FFY 1996 as displayed on Attachment C. Given the current federal Highway Trust Fund balances and anticipated future revenues, higher levels than those proposed by the Administration could be supported without increasing taxes.

The federal Highway Trust Fund balance for highways now stands at $11 billion and would continue to increase to $16.1 billion by the end of FFY 1995 under the Bush proposal, as shown on Attachment D. At the end of FFY 1996, the balance is estimated to stand at $13.8 billion, but only because the assumption is made that the five cent federal fuel tax increase imposed on December 1, 1990 would be discontinued on October 1, 1995. I continue to maintain that federal highway and transit funding should be increased to levels commensurate with the highway user fees being collected and deposited in the Trust Funds. All transportation trust fund revenues should be made available for their dedicated transportation purposes.

The Administration's proposal includes separate methodologies for apportioning funds among the states under the three categorical programs. NHS funding would be apportioned to the states based 70 percent on fuel use, 15 per cent on total public road mileage and 15 percent on land area. Pennsylvania would receive 3.35% of the NHS funds available under this formula. This is totally unacceptable when one considers that the Commonwealth's citizens contribute 4.54% of the revenues in the Highway Trust Fund. This formula would yield a return of 73 cents for each dollar contributed by Pennsylvania. What makes this even more critical is that this is funding for our Interstate System and other most important highways.

Urban/Rural Program funds would be apportioned based on the states' relative contribution to the Highway Trust Fund, 4.54% for Pennsylvania. This reasonable proposal would yield a dollar for dollar return.

Bridge Program funds are proposed to be apportioned on a new Level of Service criteria. Pennsylvania would receive 6.3% of the funds under this criteria compared to the current bridge formula which yields 9% for our critical bridge needs. It appears that under the Administration's proposal, Pennsylvania is penalized for the excellent job it has done on replacing and rehabilitating the most important bridges through the state's Billion Dollar Bridge Program which began in 1982 and has resulted in the replacement or rehabilitation of more than 1,300 bridges at a total cost in excess of $1.4 billion. The key to this success is a dedicated source of state revenues raised through truck registration fees and a motor carrier road tax. The revenues from these sources total more than $72 million per year, which when combined with federal and local funds, has enabled us to undertake a $200 million bridge program each year.

Adding the apportionments of the three proposed categorical programs together, Pennsylvania would get a return of only 89 cents for each dollar it contributes to the Highway Trust Fund, or 4.05% of the national pot in FFY 1992 compared to a contribution to the Highway Trust Fund of 4.54%. We cannot afford or accept such an unfair return of Highway Trust Fund revenues.

The FHWA claims that Pennsylvania would receive 5.62% of the national pie, making us a big winner under the Administration's proposal. Going strictly according to the numbers, their assumption is correct, but the presentation and interpretation of the figures in the proposal is very misleading since it includes Pennsylvania's Interstate Completion funds. In FFY 1992, the Interstate Completion apportionment really represents a payback to Pennsylvania for work it undertook under advance construction provisions prior to the availability of federal funds and does not represent new project starts.

Looking beyond FFY 1992, Pennsylvania would be lapsing virtually all if its Interstate Completion apportionments each year since the projects which are eligible to use these funds will not be ready for construction during the five year period covered by the proposal. Excluding the Interstate Completion funds, Pennsylvania's share of the national program is 4.05%, and this is a valid comparison to Pennsylvania's 4.54% contribution, not the 5.62% comparison as shown in Attachment E. Clearly Pennsylvania is a loser, not a winner under the Bush proposal.

Federal matching ratios under the Administration's proposal are of great concern to state and local governments. The overall federal matching ratios would decrease from 83 percent to 72 percent. The state/local/private share would increase accordingly from 17 percent to 28 percent, a jump of 65%. This would place additional stress on state and local resources and would require that we revamp the financial plan for our transportation improvement programs. It seems ironic to me that the federal government would consider reducing its funding share when federal Highway Trust Fund balances are continuing to grow.

Transferability among federal programs is essential if the states are to make full and effective use of limited federal resources. The Administration's proposal would allow transfers only from the National Highway Program to the Urban/Rural Program and would allow some transferability across modes, between mass transit and highway categories. This limited transferability is not enough to allow each state to meet their unique surface transportation needs in the most effective manner. Liberal transferability, say 20% among all categories should be permitted.

I cannot find one positive thing to say about the transit component of the Bush Administration proposal. The Administration has pulled a "bait and switch" trick by proposing to finance virtually the entire federal transit program from the Mass Transit account of the Highway Trust Fund. The Administration proposes the elimination of General Fund support which now totals more than $1.8 billion per year. While the level of funding for transit would remain near FFY 1991 levels, almost all of the transit programs would be funded through the Mass Transit Account of the Highway Trust Fund. Under this proposal, the current trust fund balance for transit would essentially be spent down by the end of FFY 1996, without any growth in the program, which would leave an uncertain future for federal transit programs. The overall funding levels proposed by the Administration for transit, beginning with $3.249 billion in FFY 1992 to $3.32 billion in FFY 1996, are woefully inadequate. This represents virtually no increase over the FFY 1991 level of $3.194 billion as can be seen on Attachment F.

Once again, the Administration proposes to eliminate operating assistance for transit systems serving more than one million people. This proposal would decimate Philadelphia's SEPTA transit system (loss of $27 million annually) and Pittsburgh's Port Authority (loss of $9 million annually). It makes no sense to promote intermodal connections in the National Transportation Policy and then rip it to shreds by short-changing transit.

Under the Administration's proposal, formula (versus discretionary) grants would increase from 58 percent to 80 percent of the total federal transit program. Over the last 10 years, PAT and SEPTA collectively have captured 10.1% of all federal Section 3 Discretionary funding while Pennsylvania's transit systems only qualify for about 5.9% of all formula funding.

The federal share for most transit projects would decrease to 60 percent from the current 75 or 80 percent under the Administration's proposal. There has been a continual and dramatic decease over the past decade in federal support for mass transit. Federal capital and operating assistance for Pennsylvania mass transit systems has been reduced from $356 million in 1979-80 to $165 million in 1989-90, a drop of 54 percent. Meanwhile, during this same period, state and local support for capital and operating assistance has increased from $193 million to $476 million, a two and a half fold increase. In 1990-91, state mass transit assistance alone totals more than $500 million while federal transit assistance is estimated at $150 million.

During the period 1979-80 to 1990-91, annual state funding for operating assistance to the Commonwealth's urban transit systems has nearly tripled and local support has increased by 72 percent while federal operating assistance has decreased by 43 percent. Even though Congress, in recent years, has enacted higher levels of operating assistance than proposed by the Administration, these levels still fall far short of the assistance provided a decade ago.

The experience with federal support for rural public transportation over the past decade has been equally discouraging. In spite of increasing state financial support, the decline in federal funding for Pennsylvania through UMTA's Section 18 Program from $4.8 million in FFY 1981 to $3.61 million in FFY 1991 has presented a tremendous threat to the survival of public transportation for our rural residents.

Pennsylvania has been and will remain a strong partner in financing transit needs, but it is equally important that the federal government fulfill its part of the partnership. I believe that public transportation must assume a larger role in the future as we strive to balance the demands of an increasingly mobile society against environmental concerns, unpredictable fuel supplies and limited rights-of-way to support the continuation of individual automobile travel at only slightly more than one person per vehicle on average. Strong incentives will be required to attract individual auto occupants to public transportation. Frequent, reliable, safe and affordable public transportation cannot be achieved without the federal government as a strong and consistent partner. It is essential that the steady decline in federal financial support for transit be reversed so that we can collectively plan, design and implement effective and efficient transportation systems for the future.

Transit must be an integral player in increasing the efficiency of our existing transportation system and also implementing remedies called for under the Clean Air Act. It seems that the Administration has forgotten this vital component of our transportation system at the same time it seeks to implement measures to reduce congestion and clean up the air.

Before I turn to a discussion on the Senate proposals which have been introduced, I would like to acknowledge and praise the efforts of the leadership of the House Public Works and Transportation Committee -- Congressmen Roe, Hammerschmidt, Mineta and Shuster, for their recognition of the higher highway and transit funding levels needed to adequately maintain our transportation infrastructure and to provide a national intermodal transportation system which will increase the Nation's competitiveness into the next century. The Committee proposed a five year total of $119 billion for highways and $34.5 billion for mass transit, over fifty percent more than the funding levels proposed by the Bush Administration. Under their plan, funding levels for highways would increase from $21 billion in FFY 1992 to $24.5 billion per year in FFY 1993 through FFY 1996, a significant increase over the levels in the Administration's proposal, as shown on Attachment G. Funding levels for transit would increase from $6.7 billion in FFY 1992 to $7.1 billion in FFY 1996, indicating a dramatically larger transit program than that proposed by the Administration, as can be seen from the chart on Attachment H. The nation's transportation interests are indeed being well-served with leadership like this which addresses key program and funding issues.

While I am concerned over several provisions of the Bush Administration proposal, I am extremely distressed over the proposed Surface Transportation Efficiency Act of 1991 (S. 965), the Senate Leadership Bill which was introduced by Senators Moynihan, Symms, Burdick, Chafee, and Lautenberg. This bill has been marked up by the Senate Committee on Environment and Public Works and appears to be headed for floor action next week.

This proposal does away with the current highway and bridge program structures through the creation of a Surface Transportation Program (STP) category. The STP constitutes over 50% of the total highway program funding levels and allows the states to use this funding on highway, bridge and transit projects as well as rail, magnetic levitation projects, bicycle and pedestrian facilities and any other mode of transportation. Seventy-five percent of the STP funds must be split between urban and rural areas based on their relative share of the population, regardless of the highway, bridge and transit needs of the areas.

I continue to contend that flexibility in the use of federal funds is needed by the states for effective use of available resources; however, I am concerned that this proposal could potentially weaken both the federal highway and transit programs in the name of flexibility by not providing an adequate framework or adequate funding for conducting these critical programs.

All of the states are facing growing transportation demands - for most of us, this means more stress on both our highway and transit systems. What I see in S. 965 is a potential case of "robbing Peter to pay Paul." The bill would allow funds to be redirected from an already under-funded highway program, which could set the stage for a transit bill that allows the federal government to step back even further from its responsibility to transit. With the ability to commingle highway and transit funds, proponents can point to both pots of money being available when we really must insist on adequate funding levels for both the highway and transit programs.

S. 965 proposes funding levels equal to those proposed by the Bush Administration. As I stated before, the Highway Trust Fund balances are currently over $18 billion for highways and transit combined. These balances will continue to grow even larger under this proposal. With these resources, combined with the federal commitment of necessary general fund dollars to transit, there are sufficient existing revenues to build a responsible federal program which addresses both highways and transit. Without providing increased levels of funding for highways and transit, I feel that the effectiveness of flexibility provisions is limited.

Funds are proposed to be apportioned to the states based on each state's historic share of highway funding. It is difficult to develop any formula which is found acceptable to every state; however, the use of discretionary programs has proven to be a viable process in the past for addressing special requirements. I would favor the continuation of discretionary programs, features which is not currently part of S. 965.

This proposal could also potentially change the role of the Metropolitan Planning Organizations (MPOs). I am sure that the manner in which states and MPOs currently interact varies greatly from state to state. Pennsylvania has worked hard to achieve a balanced MPO process. Any drastic change that would alter the balance of these relationships could jeopardize the statewide planning and programming partnerships that now exist in Pennsylvania and in most other states. While the language in S. 965 relating to MPO's was significantly altered during mark-up to basically retain current processes, I am concerned that further changes could still occur.

I am strongly opposed to S. 965 because of its serious deficiencies and its resulting profound changes to the Nation's transportation programs which have been so effective since the inception of the Interstate Construction era in 1956.

We are aware of the three other Senate bills introduced to date; however, we look forward anxiously to the unveiling of the House Committee on Public Works and Transportation version of the surface transportation reauthorization legislation.

Congress has before it many difficult issues in developing new surface transportation legislation and in reauthorization of the Appalachian Regional Commission. In doing so, it must deliberate on the very positive impacts transportation has had and will continue to have on this country's economic and social progress. New legislation must continue to strengthen the existing federal/state/local transportation partnership while also providing opportunities for forging new partnerships between the public and private sectors. In return, this partnership must be innovative and persistent in finding better ways to do things. Above all, we must be steadfast in our resolve to use all resources available for transportation programs to the best possible advantage.

In my view, the key features of future federal programs which are required to address the transportation challenges of the coming decade include:

- flexibility within a structured framework in the use of federal funds;
- continuation of dedicated user financing;
- full use of available federal transportation revenues;

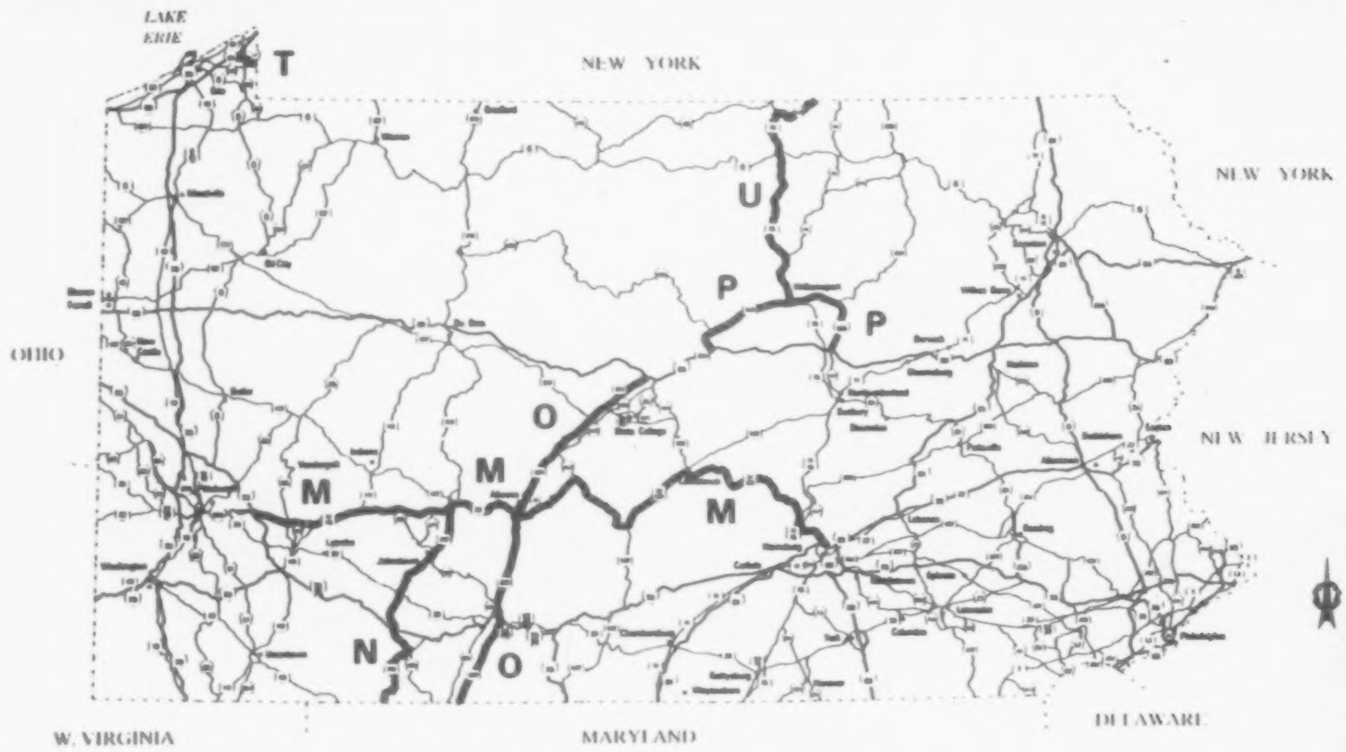
- equitable distribution of funds among the states;
- emphasis on national issues: system completion and preservation, safety, congestion relief, and air quality;
- reduced federal oversight.

I offer my full support in any way to the Committee as you proceed to craft the new surface transportation bill and to reauthorize the ARC. Timing is important. New surface transportation legislation must be in place when the present surface transportation assistance act expires at the end of FFY 1991. In any event, I am confident that you will develop strategies and programs for the future which will lead America boldly into the 21st century.

Thank you for inviting me here today to share my views on the Appalachian Regional Commission and on the reauthorization of the Post-Interstate Surface Transportation Programs. I would be pleased to respond to any questions you may have.

ATTACHMENT A

PENNSYLVANIA APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM


LAKE ERIE
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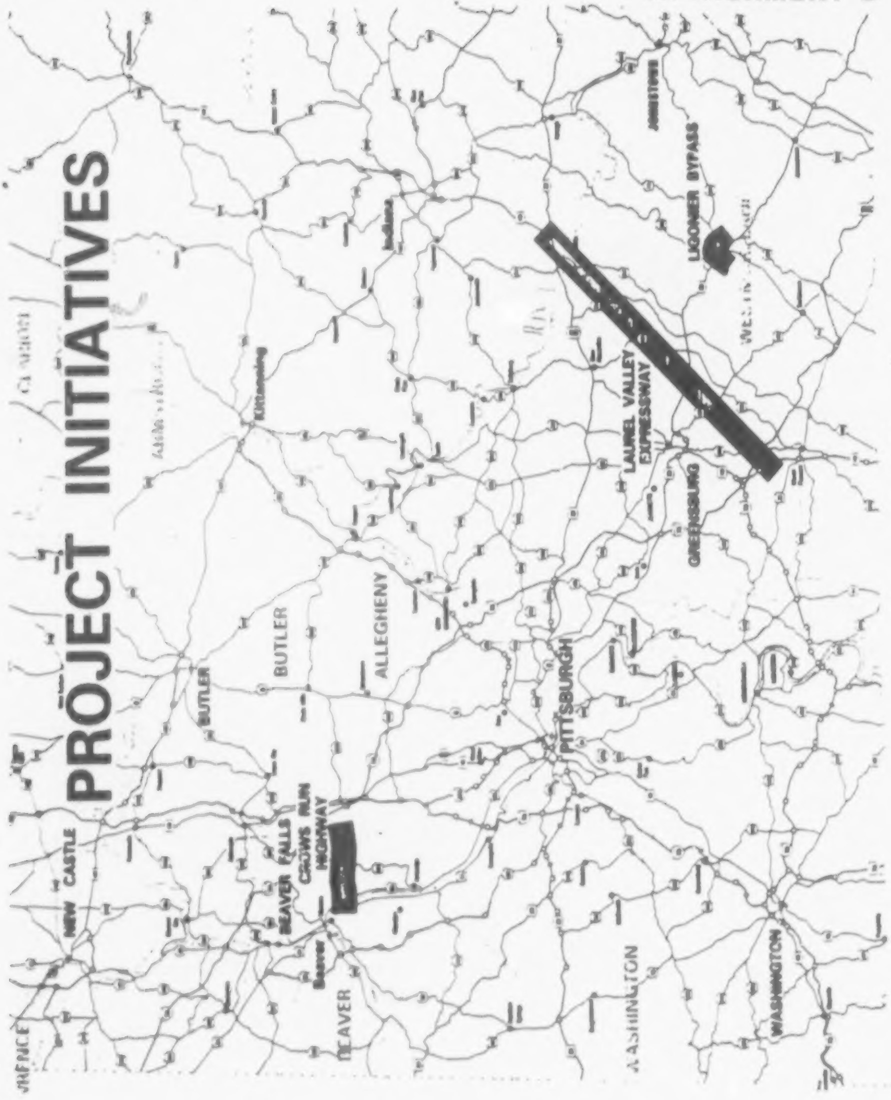
W. VIRGINIA
MARYLAND
DELAWARE

ATTACHMENT B

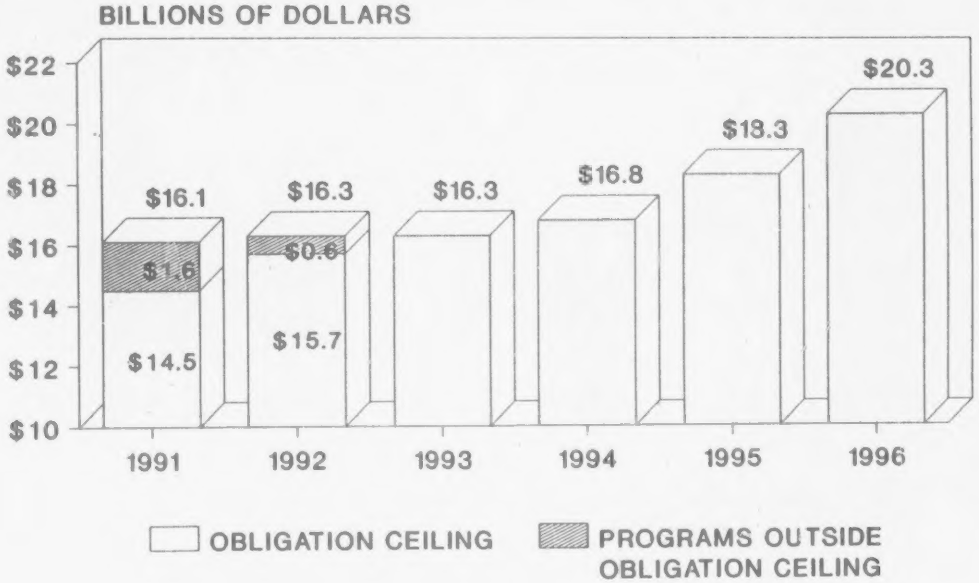


PROJECT INITIATIVES

NEW CASTLE
BEAVER FALLS
CROWS RUN HIGHWAY
Beaver
BEAVER
BUTLER
BUTLER
ALLEGHENY
Kittanning
Indiana
PITTSBURGH
LAUREL VALLEY EXPRESSWAY
GREENSBURG
LIGONIER BYPASS
JOHNSTOWN
WASHINGTON
WASHINGTON

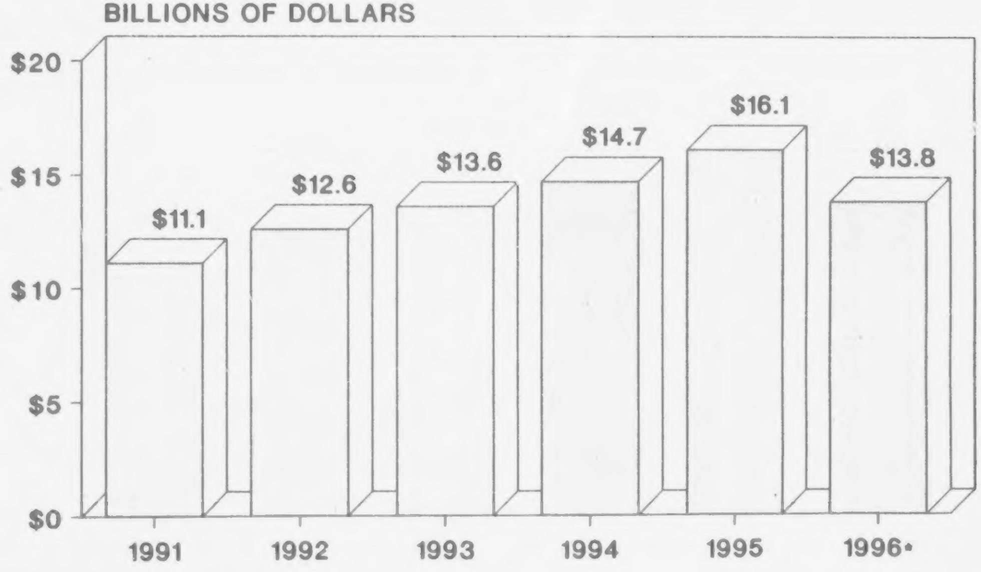
ATTACHMENT C

HIGHWAY FUNDING LEVELS



ATTACHMENT D

HIGHWAY TRUST FUND BALANCE



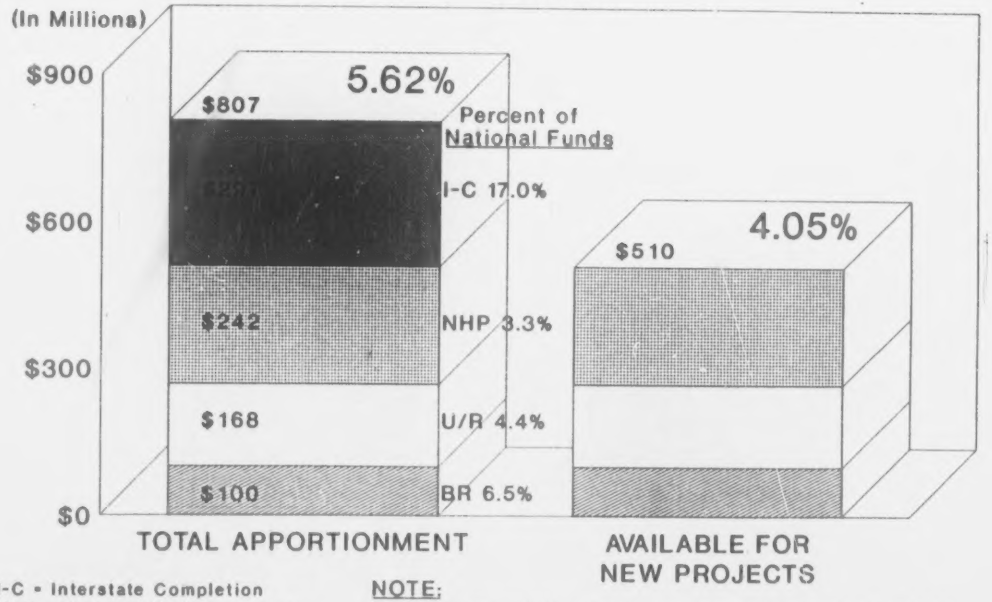
* Assumes 5 cent tax discontinued

ATTACHMENT E

Pennsylvania's Share by Program

Under Bush Administration Proposal

1992

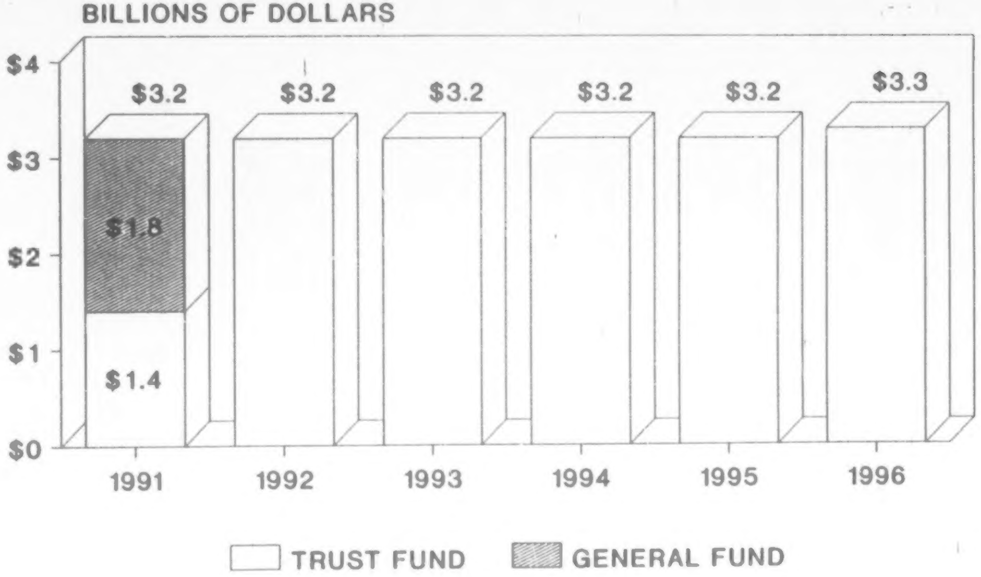


I-C - Interstate Completion
NHP - National Highway Program
U/R - Urban/Rural Program
BR - Bridge Program

NOTE:
Interstate Completion funds are targeted to projects which have already been constructed or will not be ready for construction during the timeframe of the administration's proposal.

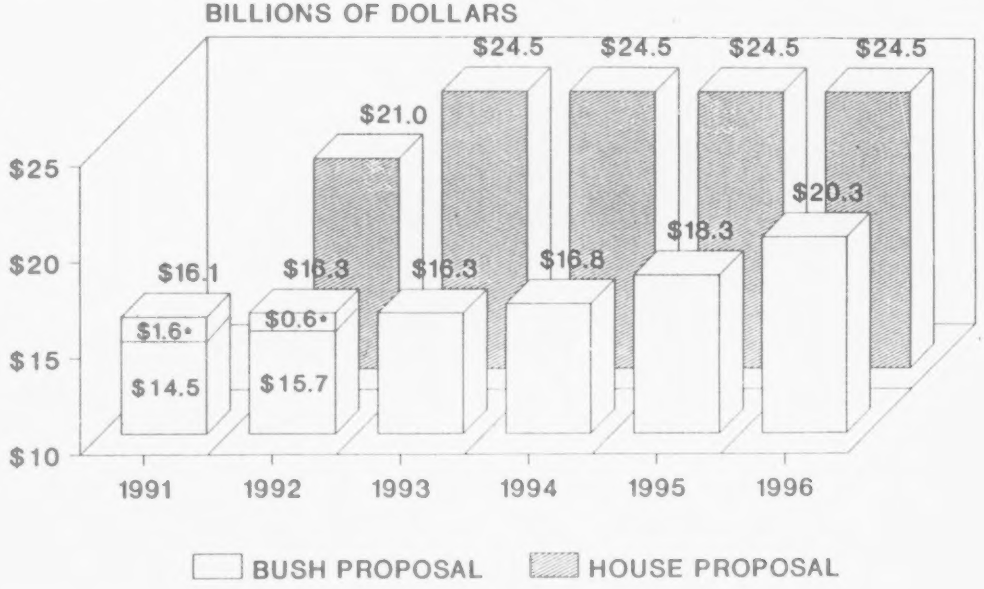
ATTACHMENT F

TRANSIT PROGRAM
BUSH ADMINISTRATION PROPOSAL



ATTACHMENT G

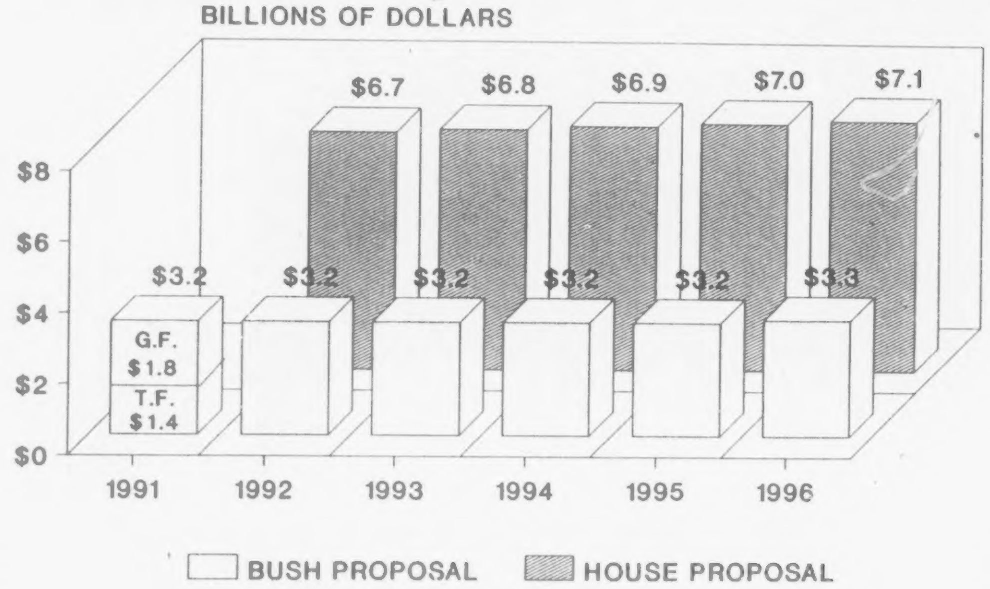
HIGHWAY FUNDING LEVELS
HOUSE & BUSH ADMINISTRATION PROPOSALS



• PROGRAMS OUTSIDE OBLIGATION LIMITATION

ATTACHMENT H

TRANSIT FUNDING LEVELS
HOUSE & BUSH ADMINISTRATION PROPOSALS



NORTH CENTRAL PENNSYLVANIA REGIONAL PLANNING AND DEVELOPMENT COMMISSION

ECONOMIC DEVELOPMENT ADMINISTRATION

TESTIMONY

PRESENTED TO:

THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

BY: GWEN AUMAN, ECONOMIC DEVELOPMENT DIRECTOR

JUNE 3, 1991

Distinguished members on the subcommittee on Economic Development. Thank you for the opportunity to testify on the effectiveness of Economic Development Administration Programs.

My name is Gwen Auman. For the past twelve years, I have been employed by the North Central Pennsylvania Regional Planning and Development Commission (NCPRPDC). Initially, as an Economic Planner and, presently, as the Economic Development Director.

The North Central Pennsylvania Regional Planning and Development Commission is the economic development district which services the six-county rural area of North Central Pennsylvania. The total population of the district for 1990 is 228,819. This was a loss of 16,435 persons since 1980. The district is comprised of 157 municipalities, including two third-class cities. The Economic Development Administration program has been a critical component of the services of the Commission since its inception in 1965.

The counties which comprise the Commission have diversified economic bases. There are four highly industrialized counties, with a large portion of production lying in the newly emerging powdered metal industry. The most northern county is agriculture-related and the most southern county is mining in nature.

As is the major problem in most rural areas, North Central is also plagued with inadequate infrastructure and incentive programs for start-up industries.

With the aid of the Economic Development Administration's Public Works and Revolving Loan Programs, these issues are being addressed.

In 1985, NCPRPDC received their first revolving loan dollars, in the amount of $500,000, from EDA. During the last six years, 26 companies, creating 342 jobs, have benefitted from this program. The loan portfolio has leveraged $2,866,544 in other public funding and $3,218,514 in private financing. The continuation of this program will insure the continuation of the successful statistics as quoted above.

Turning to Public Works, the region's infrastructure projects over the past ten years have received $9,994,491 in Economic Development Administration funding. The federal money leveraged $9,173,640 in private financing and $8,486,116 in state financing and allowed the creation of 2,716 jobs. This was a federal job cost ratio of $3,680 per job.

All these projects were vital in stabilizing the declining economy which was prevalent in the region. Although many of the 157 municipalities continue to require infrastructure improvements, the base work has been provided. The magnitude of these projects would not have transpired without the assistance from the federal agency.

The Economic Development Administration programs are easy to work with and are very consistent in nature. One aspect of the EDA structure which has been very beneficial to our agency and our applicants is the Economic Development Representative (EDR) concept. The EDR for Pennsylvania is very instrumental in the development of the projects from initial contacts to closing-out procedures. The elimination of the EDRs would be a disadvantage to the rural areas who rely on their expertise and knowledge to aid them in project development and receipt.

The Economic Development Administration is a very important and effective funding agency in North Central Pennsylvania. The hard statistics which have been quoted prove the effectiveness of the program. Any elimination of this agency and its programs would be detrimental to the economic base of the region.

In closing, I would like to invite each of you to our economic development district where we could physically show you the benefits of the Economic Development Administration.

The Greater Wilkes-Barre Partnership, Inc.

Suite 600 · 67-69 Public Square, P.O. Box 5340, Wilkes-Barre, PA 18710-5340
(717) 823-2101 FAX (717) 822-5951

Sub-Committee on Economic Development
Hearing on June 3, 1991
Beaver Falls, Pennsylvania

My name is Stephen Barrouk and I am President of The Greater Wilkes-Barre Partnership, Inc. located in Luzerne County, Pennsylvania. The Greater Wilkes-Barre Partnership, Inc. manages a consortium of community economic development organizations serving a population of over 300,000 people.

Over my 17 year career in economic development, I have worked in a multi-county, city and county organizations in a public and private capacity. In each instance, the Economic Development Administration has been an integral part of our local economic development strategy. The technical, planning and infrastructure capabilities of the organization have been critical to the success of many projects that I have been personally involved with. While project costs have been escalating over the last decade, the size and availability of EDA grants has been decreasing. Nonetheless, the participation of EDA has allowed us to undertake projects, both large and small, that would otherwise not have been started. The "New Federalism" over the last 10 years has shifted the burden of economic development activities to local and state governments. Financial resources have substantially dwindled to the local units of government, thus making important projects having a significant economic impact on a distressed community much more difficult to undertake, if not impossible.

Actions of the federal government have contributed to the necessity to undertake increased infrastructure development to accommodate growth caused by federal projects and legislation. Federally funded highways, waterways, tax and environmental policy installations, airports and many other activities have caused or impacted upon certain shifts in local economies around the country. I believe its important that targeted local infrastructure projects continue to be supported by the Economic Development Administration and other federal agencies. The attractive twist to EDA funded programs is that justification translates into new jobs and enhanced tax base.

Affiliate Organizations

Greater Wilkes-Barre Chamber of Commerce
Committee for Economic Growth
Greater Wilkes-Barre Industrial Fund, Inc.

WILKES-BARRE

I have dedicated my career towards working in distressed communities, communities that are experiencing the adjustments to structural changes in their economies or experiencing difficulty establishing the wherewithal to conceive or develop projects that could generate new employment opportunities. These communities, and there still are many, need a measured amount of support from the federal government. Many of these communities are victims of changing times and economies, much of which has been influenced by federal policy whether that be tax, trade or environmental. I do not propose the federal government to be the only major player in local economic development, but it still should be a participant.

The Economic Development Administration has been a critical participant in the composition of financial packages on important local economic development projects that have a regional significance. During my tenure in Pittsburgh, EDA supported job creating projects that involved historical preservation at the Pittsburgh History and Landmarks Foundation's Station Square Project; new business formation through development of incubators in the City of Pittsburgh; infrastructure for the construction of new industrial parks; and rehabilitation for the adaptive use of former heavy industry facilities, particularly in the Mon Valley area. In the Wilkes-Barre area, the EDA has been a vital component toward the establishment of our industrial parks, a new regional hospital and our successful business incubator center. The successful transition of our economy from mining to diversified industry in the Greater Wilkes-Barre area can be attributed to well placed investments from the EDA.

Currently, we are attempting to redevelop a former department store in our central business district into a 110,000 sq. ft. office center. From a financial standpoint, the project is impossible to develop without a subsidy or a very substantial equity contribution. Community organizations like ours only get involved when the private developers are not comfortable with the risk or return on investment.

Our intent is to create jobs and encourage reinvestment in projects that are important to the community. We do not have large sums of equity available to invest in one project, therefore, we need public grant support to offset the equity shortfall to accomplish our public purpose. This department store conversion project located in the heart of our downtown is a critical project. With EDA's help, we could assume the risk.

We continue to have an unemployment rate higher than the national average, but are trying very hard to diversify our economy. Our efforts must be supported by the state and federal governments because without it there will be a dramatic decline in our ability to be creative and successful. Many of us believe that the 1990s will be a decade of massive public works undertakings. The federal government should and must be an integral part of this rebuilding of America. The Economic Development Administration and its capable staff, through its technical assistance, planning assistance and financial assistance, are well suited to spearhead the federal participation in this undertaking.

I have worked with the Economic Development Administration for 17 years and am very impressed by the staff's ability to shrink in size and work with diminishing resources to achieve a very positive result in many distressed communities around Pennsylvania and the rest of the country. This program should receive the full support of Congress and the President. Without it, many communities like ours will be facing an even more difficult challenge to revitalize our communities.

Stephen M. Barrouk
President
Greater Wilkes-Barre Partnership, Inc.

SMB:jk

**Indiana County
Chamber of Commerce**

1019 Philadelphia Street • P.O. Box 727
Indiana, Pennsylvania 15701

Fax: (412) 465-3706
(412) 465-2511

INDIANA COUNTY

**Presented To The
Subcommittee On Economic Development**

By

**David A. Fullerton
Executive Director**

June 3, 1991

Indiana County was once labeled a "boom town" in an article that appeared in an issue of U.S. News and World Report. That was in 1975 when we were completing the construction of the last of three coal fired electric generating units that produce over five million kilowatts of electricity, serving more than 20 million customers in the Eastern United States. Our unemployment back then was at 4.1% -- the lowest rate in the Commonwealth of Pennsylvania.

Today, however, it is a different story. Our unemployment is at 11.8%, almost twice the rate of the Commonwealth, and we are far away from having a thriving economy. Indiana County has tumbled from a "boom town" to a County with a struggling economy in less than fifteen years.

There are numerous reasons for this economic despair and why this has become a distressed area, and so designated by the Economic Development Agency as a County with Sudden and Severe Economic Dislocation. Some of these reasons are problems that exist today -- problems that are complete barriers to future economic development.

Two of the most prominent barriers are the lack of adequate sewage service and the lack of an adequate highway system. These are two problems that are not totally unique to our area, but rather, problems that exist across the United States. On a national level, the infrastructure may rate a grade of average, but here in our area the score is much lower. Transportation, potable water, and waste disposal are the basic vital ingredients to growth. They are the foundation for economic development. This presentation will focus primarily on the issue of sewerage treatment.

To put Indiana County into perspective in relation to the infrastructure, we can isolate one prime example of an economic development barrier. We have a population of approximately 90,000 people, but only about 36,000 are served by sewage treatment systems, or about 41%. This is extremely low in relation to other comparable counties. And it means that 59%, or about 54,000 people, use standard on-lot septic systems, in an area, by the way, where 75% of the soils are not conducive for such units. At the present time, a community in the southern portion of the County is in the initial phase of attempting to establish a sewage treatment facility. It is a community of only 7,100 people with a school district that has 1,100 pupils.

A collection system already exists in the community, but there is no treatment facility, and every day 130,000 gallons of raw sewage flows into a nearby stream. Construction of the proposed plant carries a price tag of $19 million. Plans are to partially fund the project using the Pennsylvania Infrastructure Investment Program and another funding source. Here is a very small community attempting to do what needs to be done. However, the costs may be too prohibitive for the community where the average income is less than $15,000 per year. This is a scenario which proves the inadequacy of our infrastructure and the need for more government funding. It is a scenario that is repeated in community after community. Further, if municipalities, similar to the example sited, are unable to comply with State and Federal directives, the Pennsylvania Department of Environmental Resources has the right to impose a ban on all new sewage taps, halting all development and any potential for increasing the tax base.

Beyond the difficulty in funding residential sewage and water improvements, the problems in obtaining financing for local industrial park infrastructure needs are almost insurmountable. Funding agencies require a committed business which will produce a certain number of jobs prior to ever accepting an application.

However, a site can not be marketed unless water and sewage facilities exist. Even if a committed business is found, the up to one year delay in actual water and sewer installation often will result in the loss of that company's interest. Currently, this County receives numerous inquiries each year from businesses seeking to relocate. Almost each and every time, we lose the opportunity to accommodate these businesses because they see first hand the inadequate and antiquated infrastructure system that would mean increased costs of operation.

New construction of sewage and water facilities often remain only in the minds of local leaders due to the inability of municipalities to raise the necessary funding needed for feasibility studies. The amounts of money needed in many cases represents the municipalities entire annual budget. A County allocation of federal funds, based on population and economic indicators, would assure that the top priority areas would be served first and would allow full local decision making in providing funding to serve existing and future residential, commercial and industrial areas.

Funds need to be set aside every three years and dispersed directly to County agencies to plan the County's future direction while funding feasibility studies need to be made annually. This will allow the impact of improvements already completed to be registered, will provide a current prioritized list of needs, as well as determination of the expense of a project to be studied prior to commitment.

Monies should be devoted to water and sewage projects solely, as without these basic amenities, residential, commercial and industrial development will not occur. Once a communities' base has been established, monies will be available to meet additional community development needs.

Any significant growth is out of the question until improvements are made to the infrastructure. The neglect of our sanitary sewage systems is something that has occurred, and we have come to this stark realization. Right now, we need to determine what is the best way to address these issues before it is too late and monetarily more expensive.

Many of us have a difficulty in grasping the complexities of the massive federal deficit. But none of us have a problem with identifying the inadequate and deteriorating infrastructure in the area. We cannot leave the financing of improvement projects up to the state and local governments, the need and burden are too great. We desperately need the assistance of the Federal Government.

Perhaps existing funding in the coffers of the Federal Government could be released, not in the form of grants, but in the form of loans. These loans could be of low interest, or possibly variable interest depending on program need, ability to pay, and/or a variety of other possible parameters. By using a loan system instead of a grant system, the Federal Government would be creating a self-renewable source of capital. No matter how these programs are administered there is one thing that is necessary. We need to develop a better national strategy that can be coordinated with state and local governments to address these issues.

Again, I re-emphasize that we must deal with this now -- for the longer we wait, the more difficult and more expensive these improvement projects will be.

In relation to Indiana County, only improvements to the infrastructure will permit us to diversify our economic base, not abandoning the energy sector of our economy, but supplementing it with a variety of other industries so we may grow and prosper. An improved and expanded infrastructure will mean more available employment opportunities -- opportunities that will be better paying, and with this, a better quality of life.

These problems are frustrating and mind boggling. Indiana County though is not floundering helplessly, for we are taking the necessary measures to address these issues. The State government, County government, the Indiana University of Pennsylvania, and the Chamber of Commerce, in conjunction with other agencies, are working on these problems, and they are working together as a team.

Improving the infrastructure and the economy is and will be a long, drawn out process. But it is a process that must include the Federal Government to some degree as a part of this team. A well developed infrastructure program would be a program that takes into account local resources and tax structures. It would be a program that is directed by the needs of each County, where areas with the most potential for growth, but the least financial resources would be targeted first.

I thank the Subcommittee on Economic Development for the opportunity to convey our situation and need in Indiana County Pennsylvania, the 4th Congressional District of the United States. We look forward to working with the Economic Development Agency, and the Appalachian Regional Commission in the future.

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMERCE
HARRISBURG

OFFICE OF SECRETARY

June 24, 1991

Honorable Joseph P. Kolter
U.S. Representative
212 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Kolter:

As a follow-up to the hearing recently held in Beaver Falls by the Subcommittee on Economic Development, I wanted to take this opportunity to express to you the importance of the Appalachian Regional Commission (ARC) program to the Commonwealth of Pennsylvania.

As the Governor's Alternate to ARC, I am in a position to observe first-hand the significant impact of the ARC programs on the development of the Appalachian region within the Commonwealth. Since Secretary Yerusalim discussed the importance of the ARC highway program in his testimony before the Subcommittee, I will only affirm his statement that the highway program has done much to improve access to the more remote regions of the state. The local access road program has been extremely important to the Commonwealth, because it allows us to apply relatively small amounts of money to access roads desperately needed for industrial parks and business complexes, thereby permitting industry to move in, to remain in operation, or to expand.

In addition to the highway program, the human resources and economic development programs of ARC have been a tremendous boon to the Commonwealth. Pennsylvania was the pioneer state in the use of enterprise development programs. The Commonwealth made a decision long ago that significant amounts of ARC funds should be provided to the districts each year to carry out region-wide efforts and to serve as the Commonwealth's primary providers of technical services to business. Each year, the local development districts receive approximately $2 million dollars in ARC funds to offer financing, federal procurement, and export development assistance to businesses within their regions. The districts also offer services specifically designed to serve the unique needs of their regions. With those dollars, jobs are created and sales are increased, as can be seen from the impact statement attached to this letter. The impact statement is prepared every year from reports filed by the districts and is presented in a three year performance format.

ARC funds also play an important role in allowing the Commonwealth to pursue research and technical assistance projects that are targeted to the Appalachian area of the Commonwealth as a whole. Through the use of these funds, the Commonwealth has been able to develop new and innovative programs, improve the Commonwealth's delivery of services throughout the region, and make more efficient use of taxpayers dollars.

Last but not least, ARC funds are an important funding source for infrastructure projects that serve specific businesses within the Appalachian region. As an example of infrastructure projects funded within the last few years, I have attached for your information a list of projects within your district which received ARC funding.

I truly hope that you and the other members of the Subcommittee as well as the full Committee on Public Works and Transportation will do everything possible to retain the Appalachian Regional Commission and its programs. The significance to Pennsylvania and the Appalachian Region is clear, but the importance of the program to the entire country cannot be understated. If my arm is broken, I can not be considered whole until my arm has mended. So too the Appalachian region and the nation. Until the Appalachian region has "mended", the country cannot be considered whole.

The ARC program has made great strides since its inception in raising the region out its abject poverty and malaise. But much remains to be done, and the key to this lies with Congress in continuing and increasing its support of the program.

Thank you for your consideration. If you would care to discuss this further, please do not hesitate to call.

Sincerely,

Andrew T. Greenberg
Acting Secretary of Commerce

cc: Jacqueline Phillips
Michael Wenger

Appalachian Regional Commission
Pennsylvania Projects in

Congressional District 4

1989 Kiski Valley Industrial Park Access Road Armstrong County
PA-10280-89-I-201b-0327 $125,240 Parks Township

ARC funds were provided to install an access road to enable stormwater management facilities to be installed.

Projected job creation: 41

Indian Haven Intelligence Park Indiana County
PA-10265-89-I-214-0324 $250,000 White Township

ARC funds were awarded to allow for construction of 2,800 feet of eight-inch sanitary sewer lines, 2,800 feet of eight-inch water lines and approximately 2,500 feet of access road plus engineering, inspection and contingencies.

Projected jobs: first year, 54; 3 years, 74 additional.

Kiski Valley Water and Sewer Project Armstrong County
PA-10327-89-I-214-0502 $292,400 Parks Township

This project received ARC funding to install stormwater retention, sanitary sewer, and water distribution facilities at the Kiski Valley Industrial Park.

As of March 1, 1991, project was still in environmental study Phase II. Construction has not yet begun.

Project job creation: 85-95.

1988 Beaver County Business Development Center Beaver County
PA-9780-87-Y1-302b-0612 $40,000 Beaver Borough

ARC funding assisted with the establishment of the Beaver County Business Development Center. The Center will provide "one-stop-shopping" services to businesses in areas such as business development services, business loan assistance, federal procurement, and export counseling.

Projected job creation and retention: 224

Indiana County Business Development Service Center Indiana County
PA-10026-88-I-302-0610 $39,900 Indiana Borough

ARC funding established the Indiana County Business Development Service Center, maximizing and expanding services to existing and new industrial and commercial enterprises in Indiana County.

Projected job creation and retention: 50

PENNSYLVANIA ARC PROGRAM IMPACT SUMMARY
(ACTUAL IMPACTS)
JULY 1, 1987 - JUNE 30, 1990

	SPEDD	NORTHEAST	SOUTHERN ALLEGHENIES	NORTH CENTRAL	SEDA-COG	NORTHWEST	NORTHERN TIER	TOTAL
NO. OF BUSINESSES REPORTING	216	72	147	58	128	105	56	782
IMPACT BY TYPE OF ASSISTANCE								
FINANCE								
Sales Increase	29,031,027	50,327,012	43,736,814	35,012,886	655,884,469	69,419,947	17,542,215	900,954,370
Employment Increase	488	406	744	262	2,823	785	170	5,678
Net New Jobs	369	198	358	283	2,367	439	64	4,078
FEDERAL PROCUREMENT								
Sales Increase	54,651,378	56,372,252	19,396,163	1,067,844	36,666,627	13,037,094	1,060,236	182,251,594
Employment Increase	571	136	28	7	7	122	5	876
Net New Jobs	571	124	24	2	6	122	1	850
EXPORT								
Sales Increase	3,798,000	12,973,000	17,683,348	50,064,224	55,147,575	0	62,000	139,728,147
Employment Increase	0	156	83	2	319	0	1	561
Net New Jobs	0	148	83	1	319	0	0	551
INCUBATOR SERVICES								
Sales Increase	49,961,610	0	0	33,500	50,000	0	0	50,045,110
Employment Increase	181	0	0	2	1	0	0	184
Net New Jobs	93	0	0	0	1	0	0	94
JOB TRAINING								
Sales Increase	18,336,339	0	147,511,318	25,020,929	40,286,176	0	36,509,713	267,664,475
Employment Increase	190	0	1,501	339	0	0	222	2,252
Net New Jobs	140	0	1,402	280	506	0	49	2,377
LABOR MANAGEMENT								
Sales Increase	0	0	0	0	0	0	0	0
Employment Increase	0	0	0	0	0	0	0	0
Net New Jobs	0	0	0	0	0	0	0	0
OTHER SERVICES								
Sales Increase	0	176,842,362	0	440,000	306,270	0	50,000	177,638,632
Employment Increase	0	437	0	0	10	0	0	447
Net New Jobs	0	307	0	0	0	0	0	307
ENTERPRISE DEVELOPMENT ACTIVITIES SUB-TOTAL								
Sales Increase	155,778,354	296,514,626	228,327,643	111,639,383	788,341,117	82,457,041	55,224,164	1,718,282,328
Employment Increase	1,430	1,135	2,356	612	3,160	907	398	9,998
Net New Jobs	1,173	777	1,867	566	3,199	561	114	8,257
ARC GRANT PROJECTS								
Sales Increase	111,925,000	0	0	5,000,000	121,826,299	16,200,000	0	255,831,299
Employment Increase	808	0	0	0	776	46	0	1,630
Net New Jobs	691	0	0	0	664	46	0	1,401
GRAND TOTAL								
Sales Increase	267,703,354	296,514,626	228,327,643	117,439,383	910,167,416	98,737,041	55,224,164	1,974,113,627
Employment Increase	2,238	1,135	2,356	612	3,936	953	398	11,628
Net New Jobs	1,864	777	1,867	566	3,863	607	114	9,658

0-Not Applicable (LDD did not offer this service during the reporting period)

TESTIMONY
TO THE
EFFECTIVENESS OF
THE ECONOMIC DEVELOPMENT PROGRAMS

by

W. Kevin O'Donnell
Executive Vice President
CAN DO, Inc.
Hazleton, PA

For thirty-five years, CAN DO, Inc. has been the non-profit industrial development corporation serving the greater Hazleton area of Northeastern Pennsylvania.

Until the mid-1950's, our economy was one based almost entirely on anthracite coal. In 1955, this failing economy was dealt a death-blow when two tropical storms flooded the remaining deep mines and 1,600 jobs were lost overnight.

The unemployment rate in the greater Hazleton area quickly climbed to more than 20%. Entire families were forced to leave their homes in search of areas where better economic times were to be found.

In 1956, a group of area leaders came together to establish an organization to revitalize their community. They started out small by asking for a dime a week from area residents to help fund this new effort. This drive ended with a ceremonial "Mile of Dimes" campaign where residents placed dimes down the center of the main street in the City of Hazleton.

In total, this effort raised just over $9,000. Five thousand of these dollars were used to purchase 500 acres of land to be developed and called the "Valmont Industrial Park". It was at about this time the organization took on the name of CAN DO, which is an acronym for Community Area New Development Organization, Inc.

The Valmont Industrial Park was a major project for a depressed area like Hazleton, but the citizens responded and the park was, over a period of time, developed and even expanded.

Today there are more than 35 industries located in Valmont Industrial Park. These firms employ more than 3,700 area residents.

Because of our success at Valmont, CAN DO was able to begin the development of a new and even larger industrial park.

This manufacturing community was named the Humboldt Industrial Park. It was during the development of Humboldt Industrial Park when CAN DO first began its relationship with the Economic Development Administration (EDA). Humboldt Industrial Park is more than 1,000 acres in size and is located just one mile of Exit 40 of Interstate 81.

The land for Humboldt Industrial Park was purchased by CAN DO, Inc. in 1969. At that time, it was in a totally undeveloped condition.

In 1974, EDA participated with CAN DO in the construction of the park's railroad ($236,000) and sewage treatment plant ($380,000).

These projects, combined with the development of hard-surfaced roads and water system, made Humboldt Industrial Park a marketable product and soon industries were locating here.

In 1980-81, CAN DO and EDA undertook a very ambitious project. At that time, the United States was in the middle of a severe energy crisis. Foreign controlled oil was being artificially inflated, causing large-scale economic hardships.

As stated earlier in this testimony, the anthracite coal economy in the mid-1950's was in decline. The reason for this decline was in a large part due to the increased use of oil by industry. While it was true that the anthracite coal industry was, for the most part, extinct, the natural resource itself was still abundant. Unfortunately, the thought of using anthracite coal as a source of energy was an unattractive idea to most industry. There was, however, an alternative.

The process of turning anthracite coal into a low BTU gas was not a new technology. In fact, it was quite old. The idea of constructing a coal gasification facility to provide energy for an entire industrial park was, however, innovative. CAN DO took on this innovative project with the assistance of EDA. The project was located in Humboldt Industrial Park and had a total cost of $5,150,000.00 of which EDA provided $3,600,000.00. This pilot project was completed and proved to be successful.

By the early 1980's the Sewage Treatment Plant in Humboldt Industrial Park neared its capacity. In 1985, CAN DO was forced to expand this facility. Once again, EDA was there to help with a grant of $980,000.

In total, EDA has approximately $5,011,000.00 invested in Humboldt Industrial Park. In return, Humboldt Industrial Park is now the home of 21 industries who employ in excess of 2,000 area residents. This means that for approximately every $2,500 invested by EDA in Humboldt Industrial Park, one new permanent job was created. With additional developed land available, that investment ratio will look even better when the park is totally built out. Add the construction jobs to this total, and you can see what EDA has meant to CAN DO and the greater Hazleton area.

EDA has even helped CAN DO plan for the future. In 1986, CAN DO received a grant of $15,000 from EDA's Title III Technical Assistance Program. This funding helped pay for the cost of an industrial diversification study which CAN DO has used to help map our future economic strategy.

One of the findings of this study was a need for more high-quality white collar jobs. To meet this need, CAN DO is now in the process of developing a state-of-the-art business park which we have named the "CAN

DO Corporate Center". Again this project would not be possible without EDA's assistance. To date EDA has committed $970,000 to this development.

Today the greater Hazleton area is reaping the benefits of the many successes of CAN DO. Many of these successes would not have happened if EDA financing had not been there to fill the gap that our local efforts could not.

This is not to say that the greater Hazleton area has reached its economic high point. In fact we still have a great distance to climb, and EDA must be there to assist us.

To say the least, we are, at this time, concerned. Due to its limited funding, EDA financing has always been extremely competitive. To make matters worse, the lack of predictability as to what level EDA will be funded makes planning a very difficult process.

In closing, it is our feeling that a domestic program such as EDA deserves a commitment from our federal leaders equal to that given foreign aid.

PUBLIC TESTIMONY

ROGER C. PANELLA - PRESIDENT
LAWRENCE COUNTY ECONOMIC DEVELOPMENT CORPORATION (LCEDC)

ECONOMIC DEVELOPMENT ADMINISTRATION PROGRAMS

My name is Roger Panella, President of the Lawrence County Economic Development Corporation. I thank Congressman Joseph Kolter for the opportunity to represent our Corporation in speaking on behalf of the Economic Development Administration and the Appalachian Regional Commission Programs. Lawrence County like much of Western Pennsylvania suffered extreme economic loss within the past 10 years. However, we believe the ingredients are in place to move forward, in a responsible manner, to insure the intelligent management of the growth in our area.

The expansion of the Greater Pittsburgh International Airport as well as the major investment in the Beaver Valley Rt. 60 Expressway are responsible, to a great extent, for the renewed interest in and optimistic view of the Lawrence County area.

Considerable manufacturing expansion as well as housing and retail development give testimony to the commitment to the future.

The razing of the Johnson Bronze facility, rendering the site available for development within an Enterprise Development Zone, has been a major project for the City of New Castle. The availability of EDA/ARC funds for development of that site will be a significant factor in the industrial growth in the city. With the cutbacks in financial support from a variety of sources, it is difficult to get funding for industrial projects.

At this time, Lawrence County has three potential industrial park development projects which will require funding support.

Inquiries as to available industrial sites and facilities are increasing. With the completion of the Beaver Valley Rt. 60 Expressway is coming the long-awaited growth and expansion to the region. More than ever will be the need for the cooperation between federal, state and local governments and private development interests.

It will be programs such as the EDA and ARC funds which will provide substantial support to the growth and expansion of Lawrence County.

Thank you for your attention.

Material submitted by:

Rocco Viola, Jr.
Managing Partner
Cranberry Park Associates

CRANBERRY

ARENA

HOTEL

EXPO CENTER

CRANBERRY TOWNSHIP
BUTLER COUNTY
PENNSYLVANIA

CRANBERRY PARK ASSOCIATES, INC.

- Route 19 & Rowan Road
- Suite 200
- Mars, PA 16046
- (412) 776-4720 or 931-2662
- FAX 776-0611

ARENA - CONFERENCE CENTER - HOTEL

****

PROJECT OBJECTIVES:

To build a multi-purpose arena facility that will move this specific area toward a new and strengthened self image. This arena is proposed to be the centerpiece of Cranberry Township and surrounding communities. It is intended that this development will provide a community center for local residents.

To make available to music lovers and sports fans a facility that is superior in every way to that which is currently available.

To create jobs in a wide field of occupational disciplines during both construction and the continued operation of the proposed facility.

DESCRIPTION OF PROPOSED FACILITIES:

Arena: Enclosed 20-25,000 seat arena with 88 luxury box suites
Exhibition Center: 100 - 200,000 square feet
Destination Hotel: 200 - 300 rooms
Land: Site is approximately 80 acres

ARENA SITE SPECIFICS:

Entire parcel is zoned for its intended use.
Location is adjacent to Interstate 79 with anticipated direct access.
Proposed "Crows Run Project" will provide easy access from Beaver Valley.
Location with direct I-79 connection to PA Turnpike will enhance traffic flow. This direct interstate access is anticipated to have minimal impact on local and secondary roads.
Quick (22 minute) access from Pittsburgh via I-79 and I-279
Utilities are at the site.

PRIVATELY FUNDED:

This will be a privately owned facility not requiring long term public financing or continuing subsidies.

COOPERATION:

A project of this magnitude is possible only with the full cooperation and support of the various public entities that impact the site, such as: Federal, State, County and Township Governments.

THE WALL STREET JOURNAL. WEDNESDAY, MARCH 20, 1991 B1

SPORTS

Game? What Game? Arenas Emphasize Ambiance and Amenities to Entice Fans

By JOHN HELYAR
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—There was a time when athletic arenas were spartan caverns, where the menu consisted of hot dogs, the seats grew harder by the quarter and the scoreboard just gave the score.

Then there is . . . the new Madison Square Garden. When completed in September, it will have 88 luxury suites, where the caterers wheel in caviar; 2,100 club seats, from which patrons summon waiters; one TV-filled sports bar, for refuge when the live action flags; one video-splashed scoreboard, and 19,900 rebuilt seats.

"Arenas are coming into the 20th century," says Judson Perkins, the Madison Square Garden executive overseeing the project. "You have to understand you're in the entertainment business now, and you have to offer a full package of amenities."

At $200 million, the Garden overhaul is merely the most costly of a national wave of construction and reconstruction that is redefining the arena. Phoenix's new one will have a health club. Tampa's will have a secretarial pool. Philadelphia's will have boutiques.

And all have, first and foremost, luxury suites: living-room settings that are rivaling fairways and fancy restaurants as today's prime place to do business. "Anybody can take a client to lunch," says Ed Goldman, head of sales for Group W Television, which has a Madison Square Garden suite. "But not everybody can spend a quality evening where they're relaxed and not looking at their watch."

Formidable Sources of Profit

Essentially, savvy sports business operators figured out that arenas, properly run, could be formidable sources of profit rather than merely functional settings for games. "The future lies in development of revenues outside the game itself," says Jerry Colangelo, president of the Phoenix Suns. "The most logical for us was a new facility."

The suite is the engine driving the building and operation of the new arenas. Suites' leases secure construction financing. Their tenants create a clientele for restaurants and other arena amenities. Their cash generation can be prodigious. Phoenix's arena, under construction, has pre-leased all 88 suites for $60,000 to $70,000 per year, or nearly $6 million. Milwaukee's Bradley Center has 68 suites, at $35,000 to $55,000 per year, which bring in $3 million. The Palace, the Auburn Hills, Mich., home arena of the Detroit Pistons, has 180 suites, leasing for $30,000 to $120,000 a year and reaping $11 million a year.

Yet the new arenas are geared not just to putting fat cats in suites but getting people other than hardcore fans into the regular seats. They are designed to be not just athletic meccas but user-friendly entertainment centers. "The teams want more families, a wider variety of demographic groups," says Ron Turner, a senior vice president of Ellerbe Becket Inc., an arena architectural firm. "They want it to be a fun place, where people will come back, win or lose."

It is no coincidence that alumni of Walt Disney Co., that ultimate entertainment master, are leading the Madison Square Garden overhaul. Judson Perkins, the ren-

Living the Suite Life

ARENAS	NO. of SUITES	ANNUAL LEASE	POTENTIAL ANNUAL REVENUE (In millions)
Madison Square Garden N.Y.C.	88	$110 000-$190 000	$15.0
The Palace Detroit	180	$30 000-$120 000	11.0
America West Arena Phoenix, Ariz. (under construction)	88	$60 000-$70 000	6.0
Target Center Minneapolis	67	$60 000-$85 000	4.0
Salt Lake City Arena Salt Lake City (under construction)	56	$[illegible] 000-$95 000	3.5
Bradley Center Milwaukee	68	$35 000-$55 000	3.0
ARCO Arena Sacramento, Calif.	30	$[illegible] 000-$105 000	2.7
Miami Arena Miami	18	$[illegible] 000-$100 000	1.4
Orlando Arena Orlando, Fla.	26	$[illegible] 000	1.4
Charlotte Coliseum Charlotte, N.C.	12	$[illegible] 000-$90 000	0.9

Source: Ellerbe Becket Inc.

Please Turn to Page B4, Column 6

Game? What Game? Arenas Are Stressing Ambiance, Amenities

Continued From Page B1

ovation chief, used to head the services division of Disney World. Richard Evans was once a general manager in Disney's resort-hotel business and later ran Radio City Music Hall before becoming president and chief executive officer of the Garden. "We felt we had to expand our customer base," says Mr. Evans. "We had to try attracting people that perceived [the Garden] as old and tired."

Madison Square Garden illustrates just how outmoded an old-style arena could be (after only about 20 years' operation) and what goes into the making of a modern one. Its concession stands weren't equipped to serve anything but hot dogs. Its "skyboxes" were to The Palace as Motel Six is to the Ritz. Its calendar was full, with more than 500 events a year, but its profit contribution to parent Paramount Communications Inc. was virtually nil.

By contrast, the new Garden should yield a "high double-digit return" on investment, says Mr. Evans, and the new luxury-suite economics help explain why. The old skyboxes generated just $2 million a year from leases. The new suites, when fully leased, should reap nearly $15 million. There are three times as many of them—up from 29 to 88—at much higher lease rates. The skyboxes went for $90,000; the suites are $140,000 to $190,000.

Part of the difference is in the accouterments: one wet bar, three TVs, one buffet table, three mahogany-paneled walls and two tiers of six comfy seats facing the arena. One TV carries up-to-date statistics on the game below. The buffet table can be heaped with fancy catered food.

"You're paying a lot more money [than for the old boxes], but you're getting a lot more value," says Joel Fisher, a vice president of Professional Sports Publications, a publishing and marketing firm that leases a suite. "It gives the people you entertain . . . a sense of a special evening."

The accolades notwithstanding, 26 of the 88 suites remain unleased. They do have the disadvantage of being near the top of the house, a liability to some. (New arenas put a lot of their suites closer to the court, but the Garden had to stick with where the skyboxes had been.) The most desirable suites are also the nation's most expensive, and the recession has induced price resistance. Still, Mr. Evans insists; "We fully expect to [lease] the balance" of the suites.

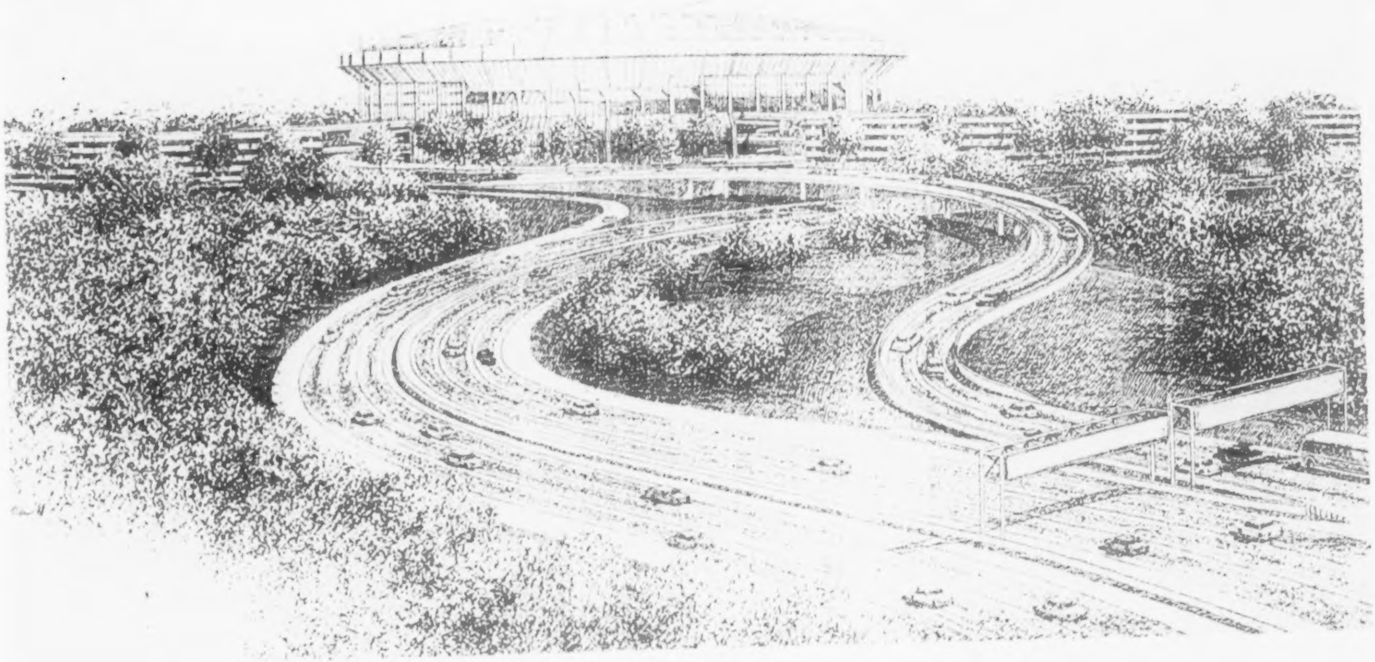
Some other arenas have felt recession's sting, too. Suite leases at the new Target Center in Minneapolis are stuck at 61 in the 67-suite facility. The proposed new Boston Garden, which was to be part of a mixed-use complex, has been stalled by that city's profound real-estate slump. But most other new arenas are moving forward and most arenas' suite leasing is holding up well. The Palace's waiting list numbers over 100.

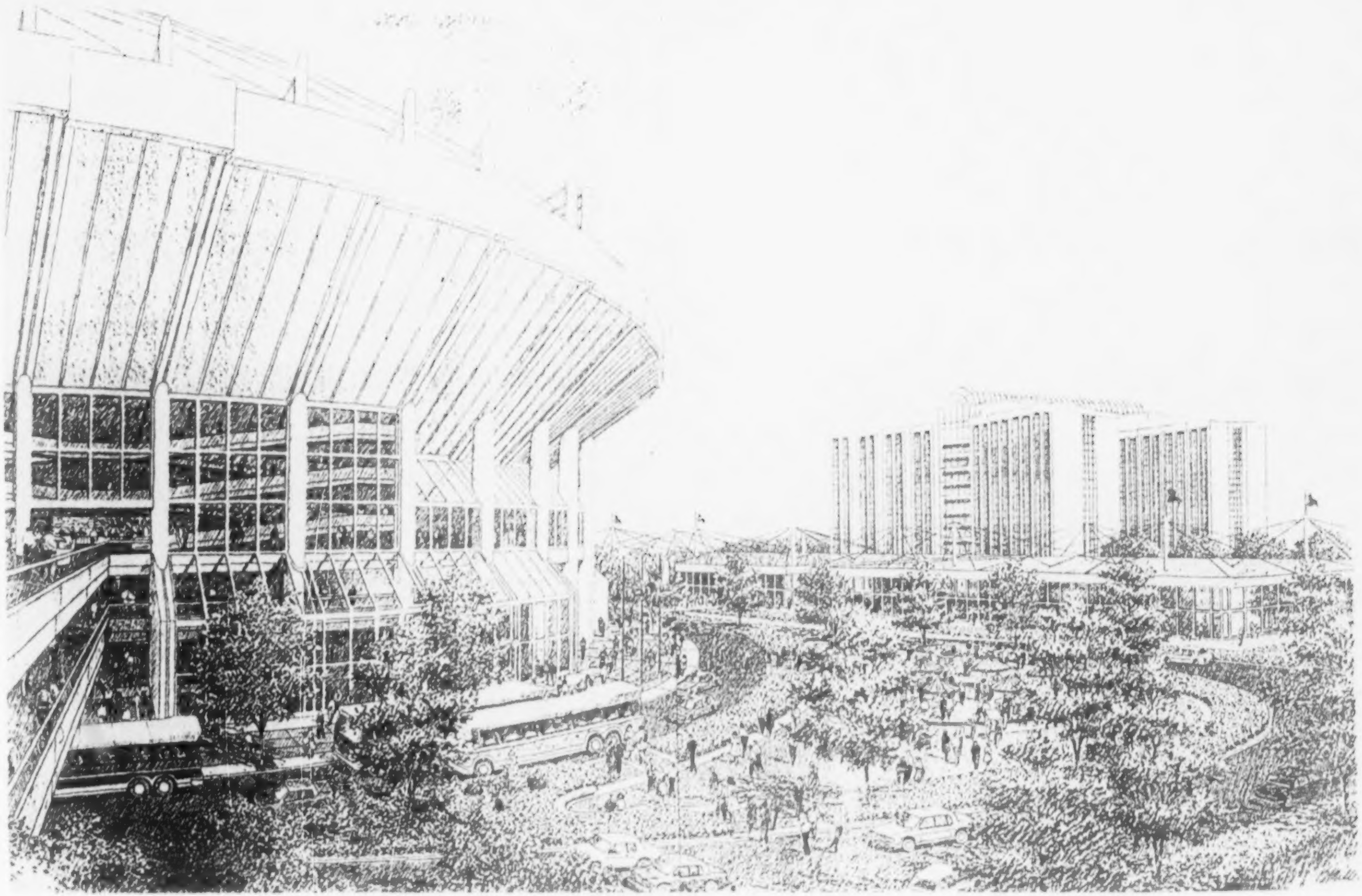
At Madison Square Garden, suite leases are only one possible source of additional income. Four new food courts have increased the capacity of concessions by 70%. The new scoreboard has 50% more ad capacity. There are also new operating efficiencies, like soft-drink systems that cut pouring time by 73%.

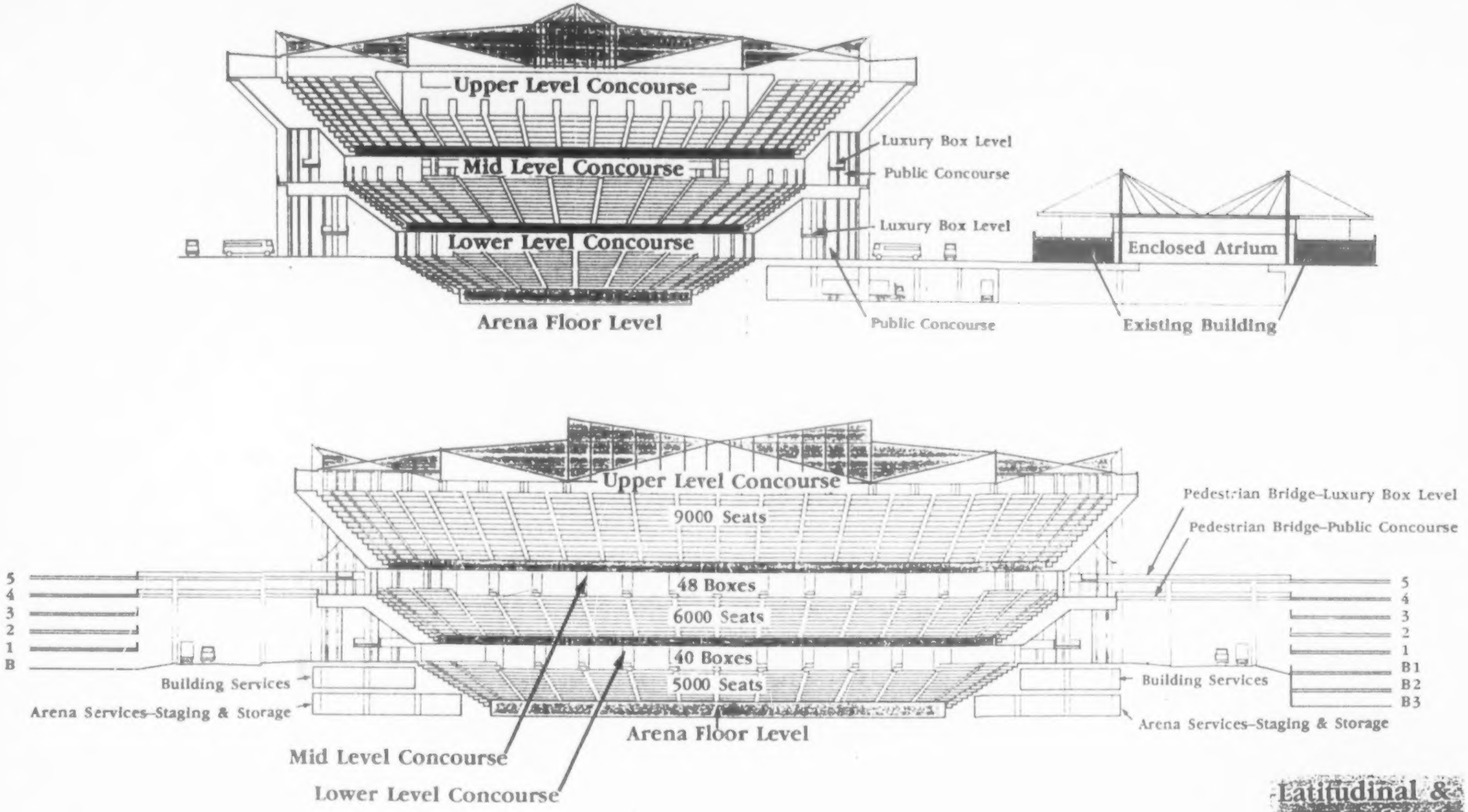
The Garden thinks changes in ambiance will help increase attendance. The outside is being lighted more brightly for nighttime safety. The entryways have been revamped to improve crowd flow. The women's restrooms have been expanded by 70%, the men's by 40%.

Not everyone is cheering the improvements. Plenty of rank-and-file fans fear the high-cost renovation and the introduction of club seats will only accelerate the ticket-price spiral for Knicks and Rangers games. "I'm right now at the edge of where I can afford this," says Bruce Bernstein, a Knicks season-ticket holder, who has seen a ticket's cost about double to $30 a game the past five years. "The fancy scoreboard isn't worth it; they should improve the team instead."

Mr. Evans dismisses speculation that the top ticket prices are going to $70 from $45 next season, saying no decisions have yet been made. But Richard Kessel, executive director of the New York State Consumer Protection Board, shares the fans' fears. He has met once with Mr. Evans to lobby against a big price increase and will seek another meeting. "A night at the Knicks or Rangers is already $200-plus for a family," he says. "We're beginning to price the average fan out of the arena."






Upper Level Concourse
Mid Level Concourse
Lower Level Concourse
Arena Floor Level
Luxury Box Level
Public Concourse
Luxury Box Level
Public Concourse
Enclosed Atrium
Existing Building
Upper Level Concourse
9000 Seats
48 Boxes
6000 Seats
40 Boxes
5000 Seats
Arena Floor Level
Mid Level Concourse
Lower Level Concourse
Pedestrian Bridge–Luxury Box Level
Pedestrian Bridge–Public Concourse
5
4
3
2
1
B
Building Services
Arena Services–Staging & Storage
5
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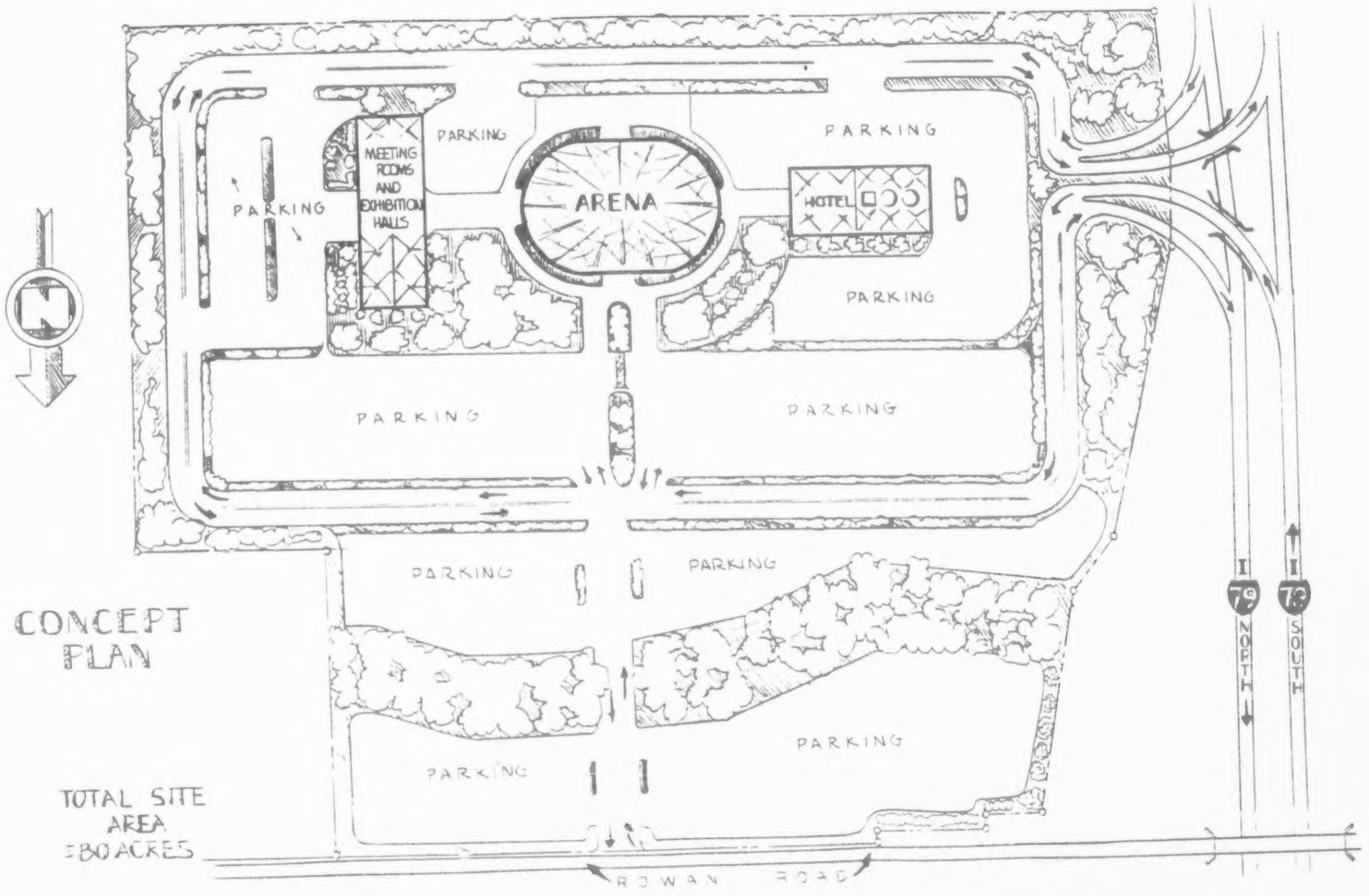
B1
B2
B3
Building Services
Arena Services–Staging & Storage

Latitudinal & Longitudinal Sections



PARKING
MEETING ROOMS AND EXHIBITION HALLS
PARKING
ARENA
HOTEL
PARKING
PARKING
PARKING
PARKING
PARKING
PARKING
PARKING
PARKING
PARKING
I 79 NORTH
I 79 SOUTH
ROWAN ROAD
N

CONCEPT PLAN

TOTAL SITE AREA ±80 ACRES